Audit Committee
25 September 2017

STATEMENT OF ACCOUNTS 2016-17

1 Purpose

1.1 Following on from the draft statement of accounts report presented to the July meeting of the Audit Committee, this report updates members on the audit process and advises the committee of the changes that have been made to the accounts in accordance with the auditor's recommendations.

1.2 If the committee is satisfied with the revised accounts and that the auditor's comments have been correctly responded to, they are required to authorise the Chairman to sign them on the Committee's behalf, together with the Director with Responsibility for Finance, in order to comply with the 30th September's statutory deadline.

2 Recommendations/for decision

2.1 Members of the committee are requested to consider the final Statement of Accounts for 2016-17 (Appendix A) and

2.2 If satisfied with the position they present, after considering the auditor's comments, they are recommended to authorise the Chairman to sign them on the Committee's behalf.

2.3 Delegate the authority to the Director with Responsibility for Finance, in consultation with the Chair or Vice Chair of the Committee, to make such changes as considered necessary to achieve sign off by the statutory 30th September deadline.

3 The Accounts Approval Process

3.1 The Accounts and Audit Regulations state that the members should only approve the accounts when they have been made aware of the findings of the audit and hence can make a better informed decision.

3.2 The auditor's comments and findings arising from their audit work over the last three months are reported in the Audit Results Report, which appears prior to this report on the agenda.

3.3 If the auditors have still not completed their work by the date of the meeting it is requested that the Committee delegate to the Head of Finance, in consultation with the Chair or Vice Chair, the ability to make such changes to the accounts that are considered necessary in order to achieve the statutory 30th September deadline.

3.4 A number of amendments have been made to the accounts to revise misstatements and to better explain the nature of certain financial transactions to the reader.

3.5 The changes made to the accounts between the draft submitted for audit considered by this committee in July and this version are reported in the next section.

4 Changes / Revisions to the Accounts

4.1 During the course of the audit it was identified that a number of adjustments were required to the core statements presented in the draft accounts. The Statement of Accounts attached to this report has been amended to reflect the correct position for each item disclosed below. Reference page numbers in the sections below relate to the final version of the document appended to this report:

4.1.1 The level of short term debtors attributed to the closing Housing Benefit and associated grant position was overstated in the draft accounts requiring correction to properly reflect the accurate position.

4.1.2 The level of balances carried forward into 2016/17 associated with LEAP funding was overstated in the draft accounts, requiring correction to accurately reflect the true position.

4.1.3 The value of a number of Council assets were reported incorrectly in the draft accounts, requiring subsequent revaluation and restatement in the final accounts.

4.1.4 The Expenditure and Funding Analysis statement was presented in the Core Financial Statements of the draft accounts. This has been moved to the notes section (page 23) based on the auditor's recommendation.

4.2 A number of minor amendments have been made arising from the audit of the draft 2016/17 accounts:

4.2.1 In the Narrative Statement (page 3), casting errors in the General Fund Revenue 2016/17 Budget in the draft 2016/17 accounts have been corrected.

4.2.2 Cross-referencing of note numbers in the Comprehensive Income and Expenditure statement (page 7) have been adjusted to correctly align with the final document.

4.2.3 Note 1.14 (page 17) has been amended to remove reference to SeRCOP.

4.2.4 Note 1.16.2 (page 18) has been redrafted to add a bullet-point confirming the valuation method for Heritage Assets.

4.2.5 The notes in 1.16.2 and 13.1 (pages 18 and 32) have been redrafted to confirm consistency of the asset measurement basis applied.

4.2.6 Note 2 (page 20) has been redrafted to remove reference to changes in accounting standards that have already been disclosed in the 2015/16 accounts, meaning this did not require restatement in the 2016/17 final accounts.

4.2.7 In notes 11 and 12 (page 32), cross-referencing of note numbers have been adjusted to correctly align with the 2016/17 final accounts.

4.2.8 In Note 32 (page 48), grant figures were misstated, requiring correction in the 2016/17 final accounts document.

4.2.9 In note 35.2 (page 50), the number of officers reported in each pay banding for 2016/17 has been adjusted to reflect the correct position.

4.2.10 The second table in note 38 (page 53) removes reference to 'increase' in the total rows, as both years reflect a decrease.

4.2.11 In Note 39.7 (page 57), the difference between the expected and actual return on assets has been adjusted to 14.24% for 2016/17 to reflect the accurate position.

4.2.12 In the final paragraph of note C3 (page 64), the value of total non-domestic rateable value at 31/03/2017 was marginally understated in the draft accounts. This has been corrected, with additional alignment of dates in the final note.

4.3 There is a requirement to report significant events that occur after the balance sheet date and before the sign off date. Since the committee in July, there have been no significant events that require reporting in the accounts.

5 Unadjusted Issues in the Accounts

5.1 Inconsistencies were identified in the valuation and presentation of AVDC's car parks as part of the Property, Plant and Equipment (PPE) asset register review of the draft 2016/17 accounts. In consultation with AVDC, the external auditor has agreed that this need not be adjusted in the 2016/17 accounts as it does not represent a material issue. It has been agreed that the 2017/18 accounts will be adjusted for this issue, based on consistent valuation of land and buildings of the Council's car parks.

6 Reasons for Recommendation

6.1 The Accounts and Audit Regulations require that the Statement of Accounts are formally signed off by the Chairman of the Audit Committee and the Director responsible for Finance by the 30th September each year.

7 Resource implications

7.1 These are covered within the body of the report.

8 Response to Key Aims and Objectives

8.1 None directly, although proper financial reporting and management will help with the delivery of the Authority's Key Aims and Outcomes.

Contact Officer	Simon Wasteney 01296-585164
Background Documents	N/A

Aylesbury Vale District Council

Statement of Accounts for the Year Ended 31 March 2017

1. Introduction

I am pleased to be able to present to you the statement of accounts for the year 2016/17.

The statement of accounts is published to present a true and fair view of the financial position and transactions of the Council. Wherever possible it has been written in plain language but inevitably it contains technical terms and a glossary to help explain some of these terms can be found at the back of this publication.

The Council's strategic vision is 'to secure economic, social and environmental wellbeing of the Vale', confirming what we are working to achieve and forms the foundation for everything we do. Key drivers to enable the vision are:

- To **enable essential infrastructure for growth and sustainability** of the area, be it physical or social
- To **ensure fair and speedy access to essential services** and their referral to partners
- To **provide a healthy and dynamic institution** for making effective decisions about the area, to which everyone can contribute
- To **stimulate, innovate and enable economic growth** of the area, its regeneration and the attraction of inward investment
- To **provide or commission services and products** that customers and businesses have agreed add value to their lives

By developing the Council's strategy and service delivery in line with the vision statement, we ensure that we continue to adapt and grow, whilst keeping the wellbeing of our residents and businesses at the centre of everything we do.

The Medium Term Financial Plan is a key element used to drive development and delivery of services that meet the vision and translate strategy into wider outcomes. Change is delivered through a range of programmes and projects, including the Commercial AVDC programme, which aims to develop the Council's commercial readiness and corporate capability and the Connected Knowledge Digital Transformation programme, which aims to improve access for citizens through automation and self service outside of usual office hours, utilising Artificial Intelligence.

The Council's annual governance statement provides more detailed insight into its vision strategy and corporate direction.

2. Statement of accounts explanations

The statement of accounts comprises:

- ❖ Statement of responsibilities
- ❖ Core financial statements
- ❖ Notes to the core financial statements
- ❖ Supplementary financial statements
- ❖ Notes to the supplementary financial statements
- ❖ Appendices

The objective of each of the accounting statements is:

❖ Statement of responsibilities

Identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the chief finance officer to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.

❖ Core financial statements

Expenditure and funding analysis – shows how the annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

Comprehensive income and expenditure statement - shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

Movement in reserves statement - shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The statement shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (increase)/decrease line shows the statutory general fund balance movements in the year following those adjustments.

Balance sheet - shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in reserves statement line ‘adjustments between accounting basis and funding basis under regulations’.

Cash flow statement - shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

❖ Notes to the core financial statements

Provides support to the core financial statements, which informs the reader and gives sufficient information, to present a good understanding of the Council’s activities.

❖ Supplementary financial statements

Collection fund – this account reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows the transactions of the Council in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed.

❖ Notes to the supplementary financial statements

Provides support to the supplementary financial statements, which informs the reader and gives sufficient information, to present a good understanding of the Council’s activities.

❖ Appendices

- Appendix 1 – annual governance statement

  The annual governance statement is not part of the statement of accounts, but is required to be included alongside it in the same publication, and as such is not covered by (a) the chief finance officer’s certification or (b) the external auditor’s report.

  The objective of this statement is to fulfill the statutory requirement for the Council to conduct an annual review of the effectiveness of its system of internal control.

3. General fund service revenue spending compared with budget

In 2016/17 the district general fund net underspend was £77,000. A summary of the financial position is shown below:

General Fund Revenue	2016/17 Budget £000	2016/17 Actual £000
Expenditure	89,264	88,665
Income	(70,653)	(67,648)
Net Cost of Services	18,611	21,017
Cost of Borrowing	2,366	818
Other Costs	(1,325)	111
Investment Interest	(2,028)	(2,182)
Income from Grants	(7,881)	(10,189)
Net Expenditure	9,743	9,575
Local Taxpayers	(9,652)	(9,652)
Net Balance	91	(77)

General Fund Balances	2016/17 Budget £000	2016/17 Actual £000
Balance 1st April	(4,191)	(3,975)
Net Balance from Fund	91	(77)
Special application of balances	600	1,179
Balance 31st March	(3,500)	(2,873)

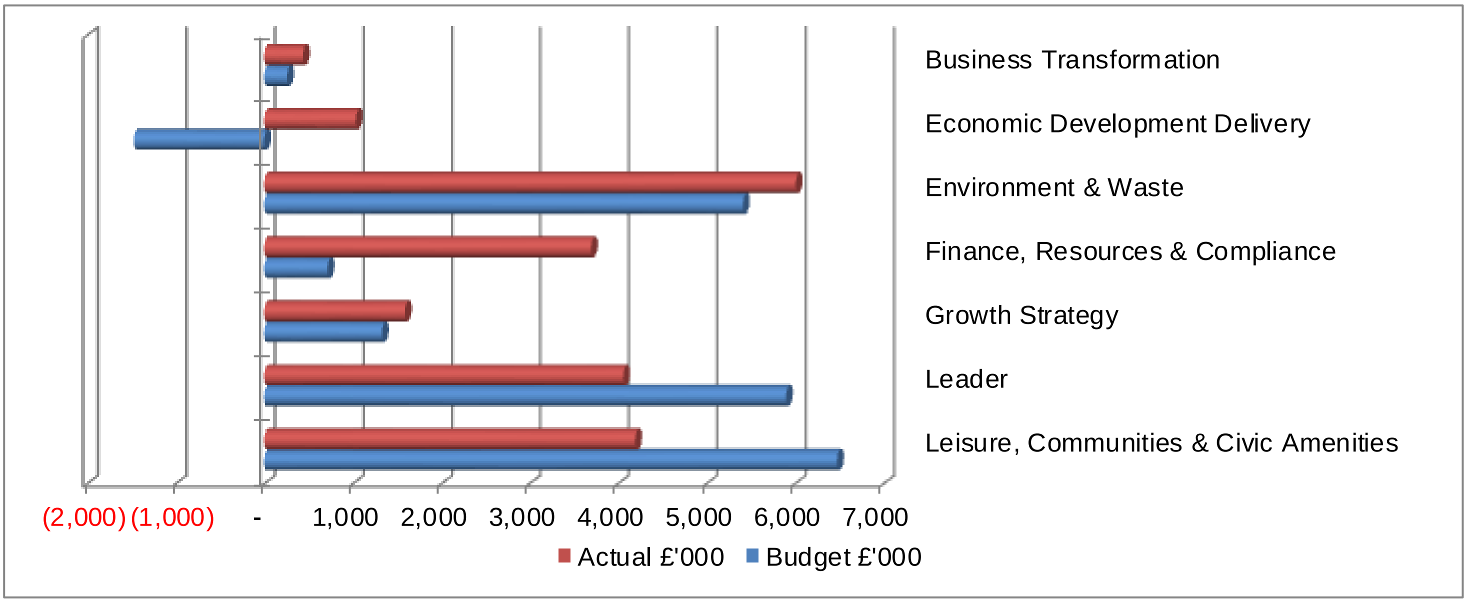
The actual figures presented in the table above significantly vary from the budget for the year due to the year end accounting entries that are required covering IAS19, depreciation, impairment (see 5. Brief note of significant items in the core financial statements), revenue expenditure funded from capital under statute and contributions to and (from) reserves. These entries are not budgeted for as their exact values are not normally known until after the year end and also because they do not impact on the council tax requirement.

The Council has undertaken a significant corporate restructuring exercise, incurring redundancy costs as headcount is reduced. This strategy aims to achieve financial sustainability for the Council through reductions in operating costs and increased commercial revenues to offset reductions in government grant over time.

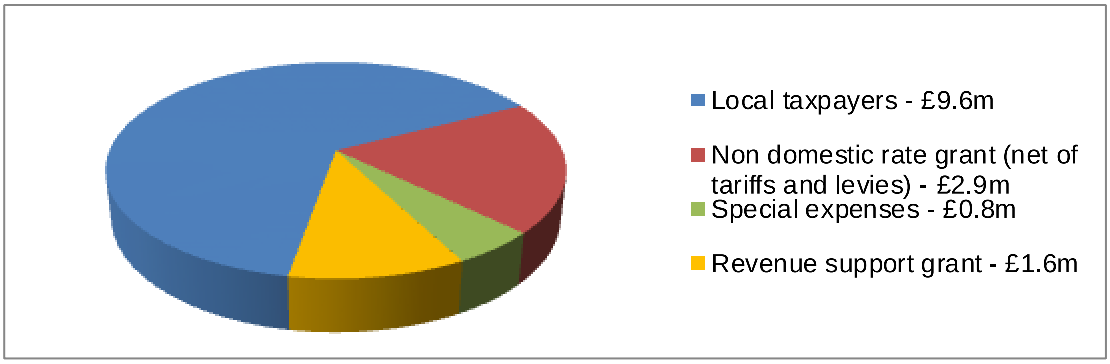
The main areas where variances from budget have been reported through the year in the Quarterly Financial Digest can be summarised as follows:

	Actual Outturn £	Forecast Outturn £	
Top 5 Under Budget			
Housing Benefits	(322,850)	-	Recovery of housing benefit overpayments
Development Control	(265,202)	-	Increased planning fee income
Domestic Refuse	(164,927)	(213,700)	Lower vehicle fuel & maintenance costs
Car Park Management	(150,190)	(146,000)	Service charge income, reductions in utility costs & running expenses
Waterside Theatre	(139,300)	(78,000)	Savings from the renegotiated contract, lower TUPE & buildings costs
Top 5 Over Budget			
Information Technology	467,287	335,900	High employee costs following redundancies, agency staff costs & income shortfalls
Industrial Estates and Town Centre Props	354,235	227,900	Reduced rental income from tenant & lower service charges from Waterside properties
Housing Benefits Administration	235,753	(12,500)	High employee costs following redundancies, agency staff & salesforce costs
Facilities Management	181,818	(35,100)	High employee costs following redundancies & agency staff costs
Accountancy	157,359	146,700	Increased costs from Finance service review

The graph below shows the net spend by portfolio:



The pie chart below shows how the £14.9 million the Council receives from the local taxpayer and from Government is apportioned:



In 2016/17 the Council used £8,111,000 of earmarked reserves in support of revenue spend and transferred £8,629,000 into reserves, £7,052,000 of which was committed but unspent new homes bonus.

4. Capital spending

In 2016/17 the Council spent £4,725,000 on capital projects. The bulk of the expenditure during the year was spent on the purchase of the Pembroke Road site which amounted to £3,682,000 (78%), whilst the development of Waterside North accounted for £777,000 (16%). The remaining expenditure, £266,000, covered residual works at University Campus Aylesbury Vale and the refurbishment of Swan Pool.

In 2016/17 the Council received non-asset backed capital receipts of £3,177,000 from house sales as part of the stock transfer agreement. It also received £405,000 from the sale of Elmhurst community centre. The Council's capital expenditure in 2016/17 was financed from two sources, capital reserves and capital receipts. The ability to generate new external resources remains limited.

5. Brief note of significant items in the core financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 sets out comprehensive requirements for group accounts. These require Councils to consider all their interests and to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures.

The Council partly or wholly owns a number of companies, all of which have the common goal of producing overall benefits for the residents and businesses of the vale. This may be through investment, commercial opportunity or simply by generating cash for the Council through dividend payments funded from profit. This may also be through the purchasing or reselling elements of Council services which may result in an overall better position for the Council.

The companies in which the Council have an interest are set out in the following table:

Company Name	Council Share	Company Status	Purpose
Aylesbury Vale Estates LLP	50%	Joint Venture	Managing our commercial estate
Aylesbury Vale Broadband Ltd	95%	Subsidiary	Delivering broadband in our more rural areas
Vale Commerce Ltd	100%	Subsidiary	Delivering the commercial ambitions of the Council under the brands of Incgen and Limecart

The statements are intended to present financial information about the parent (the Council) and the companies in which it has an interest by bringing together their results in a unified set of accounts.

6. Brief note explaining significance of any pension liability or asset

Any surplus or deficit on the Council's pension fund is required to be shown within the balance sheet. The effect of the Council's share of the pension fund administered by Bucks County Council has been assessed by the scheme's actuary as at 31 March 2017. The current valuation shows a deficit on the fund of £105,972,000 (£82,933,000 at 31 March 2016) based upon the nationally set criteria. The actual contributions payable by the Council are based upon the actuary's own assumptions in a valuation that is undertaken on a triennial basis. This valuation was last undertaken at 31st March 2016, with the next formal revaluation due as at 31st March 2019. The two valuations are carried out on different bases.

7. Brief note on the current borrowing facilities and capital borrowing

The Council is allowed to borrow providing they can demonstrate that the revenue costs are supportable and that it sets yearly borrowing limits, which have to be agreed by full Council. Aylesbury Vale District Council has, at any point in time, a number of cash requirements. Some services, such as the collection fund, have spare cash to invest whilst others, such as the capital programme, need cash to pay contractors. These cash flows, both positive and negative, are combined and managed in accordance with the approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending.

8. Summary of sources of funds available to meet capital expenditure plans

The Council meets its capital expenditure plans through the use of capital receipts and contributions externally generated, and some internal revenue contributions. During 2016/17 there was no need for additional long term borrowing.

9. An explanation of the impact of the current economic climate on the Council and the services it provides

The Council has carried forward healthy reserves (well above its minimum levels) into 2017/18. Despite continuing to receive a much lower level of formula grant, the Council had limited the increases of its element of the council tax for previous years. For 2017/18, the Council has increased the annual council tax by the maximum permissible £5 at band D for district councils.

As the Council enters into periods of much tighter local government funding, we have put in place a robust medium term financial strategy that sets out our planned savings to enable the budget to be balanced and to deliver affordable council tax levels covering a five year period. This is to ensure that resources will continue to be directed to ensure good quality services are provided to our residents in future.

Andrew Small
Director (with responsibility for finance)
The Gateway
Gatehouse Road
Aylesbury
Bucks HP19 8FF

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director (with responsibility for finance)(the Director);
- manage its affairs: to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Council approval

The statement of accounts for the year to 31 March 2017 has been prepared and I confirm that these accounts were approved by the audit committee at its meeting on 25 September 2017.

Councillor Kevin Hewson
Chairman of Audit Committee
25 September 2017

The Director's responsibilities

The Director is legally and professionally responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* - the Code.

In preparing this statement of accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Director has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director's certification

I certify that the statement of accounts presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2017.

Andrew Small
Director (with responsibility for finance)
30 June 2017

Comprehensive income and expenditure statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement.

2015/16 Restated								2016/17					
Council			Group					Council			Group		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure			Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
£000	£000	£000	£000	£000	£000		note	£000	£000	£000	£000	£000	£000
637	89	726	637	89	726	Business transformation		532	(96)	436	532	(96)	436
2,265	(2,749)	(484)	2,265	(2,749)	(484)	Economic development delivery		4,074	(3,041)	1,033	4,074	(3,041)	1,033
10,284	(4,704)	5,580	10,284	(4,704)	5,580	Environment and waste		11,260	(5,251)	6,009	11,260	(5,251)	6,009
51,668	(49,251)	2,417	51,668	(49,251)	2,417	Finance, resources and compliance		52,072	(48,376)	3,696	52,072	(48,376)	3,696
6,122	(4,876)	1,246	6,122	(4,876)	1,246	Growth strategy		5,858	(4,270)	1,588	5,858	(4,270)	1,588
3,489	(417)	3,072	3,489	(417)	3,072	Leader		4,654	(593)	4,061	4,654	(593)	4,061
14,045	(5,734)	8,311	14,045	(5,734)	8,311	Leisure, communities and civic amenities		10,215	(6,021)	4,194	10,215	(6,021)	4,194
88,510	**(67,642)**	**20,868**	**88,510**	**(67,642)**	**20,868**	**Cost of services**		**88,665**	**(67,648)**	**21,017**	**88,665**	**(67,648)**	**21,017**
		3,007			3,007	Other operating income and expenditure	10			2,055			2,055
		956			1,038	Financing and investment income and expenditure	11			849			1,608
		(29,450)			(29,450)	Taxation and non-specific grant income	12			(31,912)			(31,912)
		(4,619)			**(4,537)**	**(Surplus)/deficit on provision of services**				**(7,991)**			**(7,232)**
		(557)			(941)	Surplus on revaluation of property, plant and equipment assets	27.1			(10,848)			(11,563)
		(10,830)			(10,830)	Remeasurement of net defined benefit	27.5			24,924			24,924
		(11,387)			**(11,771)**	**Other comprehensive income and expenditure**				**14,076**			**13,361**
		(16,006)			**(16,308)**	**Total comprehensive income and expenditure**				**6,085**			**6,129**

Movement in reserves statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net (increase)/decrease line shows the statutory general fund balance movements in the year following those adjustments.

Council	**General fund balance** £000	**Capital receipts reserves** £000	**Capital grants unapplied** £000	**Total usable reserves** £000	**Unusable reserves** £000	**Total Council reserves** £000
Balance at 1 April 2015	**(31,531)**	**(9,609)**	**(1,267)**	**(42,407)**	**(33,117)**	**(75,524)**
Movement in reserves during 2015/16						
Total comprehensive income and expenditure	(4,619)	-	-	(4,619)	(11,387)	(16,006)
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	71	3,247	(683)	2,635	(2,635)	-
(Increase)/decrease in 2015/16	**(4,548)**	**3,247**	**(683)**	**(1,984)**	**(14,022)**	**(16,006)**
Balance at 31 March 2016 - Restated	**(36,079)**	**(6,362)**	**(1,950)**	**(44,391)**	**(47,139)**	**(91,530)**
Movement in reserves during 2016/17						
Total comprehensive income and expenditure	(7,991)	**-**	**-**	(7,991)	14,076	6,085
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	8,575	(447)	(993)	7,135	(7,135)	-
(Increase)/decrease in 2016/17	**584**	**(447)**	**(993)**	**(856)**	**6,941**	**6,085**
Balance at 31 March 2017	**(35,495)**	**(6,809)**	**(2,943)**	**(45,247)**	**(40,198)**	**(85,445)**

Group	General fund balance	Capital receipts reserves	Capital grants unapplied	Total usable reserves	Unusable reserves	Total Council reserves	Council's share of reserves of joint venture and subidiaries	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	**(29,721)**	**(9,609)**	**(1,267)**	**(40,597)**	**(33,117)**	**(73,714)**	**(2,784)**	**(76,498)**
Movement in reserves during 2015/16								
Total comprehensive income and expenditure	(4,537)	-	-	(4,537)	(11,387)	(15,924)	(394)	(16,318)
Adjustments between group accounts and authority accounts (Note 8.1)	(5)	-	-	(5)	-	(5)	5	-
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	71	3,247	(683)	2,635	(2,635)	-	-	-
(Increase)/decrease in 2015/16	**(4,471)**	**3,247**	**(683)**	**(1,907)**	**(14,022)**	**(15,929)**	**(389)**	**(16,318)**
Balance at 31 March 2016 - Restated	**(34,192)**	**(6,362)**	**(1,950)**	**(42,504)**	**(47,139)**	**(89,643)**	**(3,173)**	**(92,816)**
Movement in reserves during 2016/17								
Total comprehensive income and expenditure	(7,232)	-	-	(7,232)	14,076	6,844	(731)	6,113
Adjustments between group accounts and authority accounts (Note 8.1)	(137)	-	-	(137)	-	(137)	137	-
Adjustments between accounting basis & funding basis under regulations (Note 8.2)	8,575	(447)	(993)	7,135	(7,135)	-	-	-
(Increase)/decrease in 2016/17	**1,206**	**(447)**	**(993)**	**(234)**	**6,941**	**6,707**	**(594)**	**6,113**
Balance at 31 March 2017	**(32,986)**	**(6,809)**	**(2,943)**	**(42,738)**	**(40,198)**	**(82,936)**	**(3,767)**	**(86,703)**

Analysis of the general fund balance

2015/16 Council	2015/16 Group		2016/17 Council	2016/17 Group
£000	£000		£000	£000
(32,104)	(32,104)	Amounts earmarked (note 9)	(32,622)	(32,622)
(3,975)	(2,088)	Amounts uncommitted	(2,873)	(364)
(36,079)	**(34,192)**		**(35,495)**	**(32,986)**

Reconciliation of movement in reserves statement to balance sheet

31 March 2016 Group only		31 March 2017 Group only
£000		£000
(92,816)	Total reserves in the movement in reserves statement	(86,703)
10	Minority interest share of reserves of subsidiaries	26
(92,806)	**Total reserves in the balance sheet**	**(86,677)**

Balance Sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the movement in reserves statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2016				31 March 2017	
Council	Group			Council	Group
£000	£000		note	£000	£000
		Property, plant & equipment			
108,919	108,919	Other land and buildings	13.7	132,183	132,183
1,349	1,349	Vehicles, plant and equipment	13.7	1,314	1,817
19	19	Community assets	13.7	19	19
9,729	9,729	Surplus assets not held for sale	13.7	1	1
220	220	Heritage assets	13.7	220	220
85	85	Assets under construction	13.7	1,118	1,118
120,321	**120,321**	**Total property, plant & equipment**		**134,855**	**135,358**
415	415	Investment property	14	415	415
1,284	-	Long term investments	15	1,284	-
-	2,743	Investment in joint venture	16	-	3,100
43,652	43,471	Long term debtors	17,37	49,039	48,003
165,672	**166,950**	**Long term assets**		**185,593**	**186,876**
428	428	Assets held for resale	18	-	-
32,569	32,569	Short term investments	19	38,081	38,081
3	3	Inventories		3	3
11,264	11,291	Short term debtors	19,20	11,158	11,254
4,387	4,387	Short term loans	19,21	4,496	4,496
9,074	9,095	Cash and cash equivalents	19,22	4,695	4,725
57,725	**57,773**	**Current assets**		**58,433**	**58,559**
(10,935)	(10,985)	Short term creditors	19,23	(13,775)	(13,952)
(1,744)	(1,744)	Provisions	24	(797)	(797)
(12,679)	**(12,729)**	**Current liabilities**		**(14,572)**	**(14,749)**
(187)	(187)	Provisions	24	(166)	(166)
(95,408)	(95,408)	Other long term liabilities	25	(120,433)	(120,433)
(23,593)	(23,593)	Long term borrowing	19	(23,410)	(23,410)
(119,188)	**(119,188)**	**Long term liabilities**		**(144,009)**	**(144,009)**
91,530	**92,806**	**Net assets**		**85,445**	**86,677**
(44,391)	(41,336)	Usable reserves	MiRS, 26	(45,247)	(41,449)
(47,139)	(51,470)	Unusable reserves	MiRS, 27	(40,198)	(45,228)
(91,530)	**(92,806)**	**Total reserves**		**(85,445)**	**(86,677)**

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2015/16				2016/17	
Council	Group			Council	Group
£000	£000		note	£000	£000
4,619	4,537	Net surplus on the provision of services		7,991	7,232
23,412	23,515	Adjustment to surplus on the provision of services for non cash movements	28.1	3,413	4,684
(21,397)	(21,397)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities	28.2	(5,549)	(5,549)
6,634	6,655	Net cash flows from operating activities		5,855	6,367
(394)	(394)	Net cash flows from investing activities	29	(10,963)	(11,466)
(5,131)	(5,131)	Net cash flows from financing activities	30	729	729
1,109	1,130	Net increase in cash and cash equivalents		(4,379)	(4,370)
7,965	7,965	Cash and cash equivalents at the beginning of the reporting period		9,074	9,095
9,074	**9,095**	**Cash and cash equivalents at the end of the reporting period**		**4,695**	**4,725**

1. Accounting Policies

1.1 General principles

The statement of accounts summarises the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. The Council is required to prepare an annual statement of accounts by the Accounts and Audit (England) Regulations 2015 (SI 2011 no.817), which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in The United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

1.2 Accruals of expenditure and income

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- Supplies and services are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet;
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

1.3 Cash and cash equivalents

Cash comprises cash in hand and call account deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either at least 4% of the underlying amount measured by the adjusted capital financing requirement or the asset life method where the MRP is determined by reference to the life of the asset and an equal amount charged each year. Depreciation, impairment losses and amortisations are therefore replaced by minimum revenue provision in the statement of movement on the general fund balance, by way of an adjusting transaction within the capital adjustment account for the difference between the two.

1.5 Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be more or less than predicted.

1.6 Employee benefits

1.6.1 Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but is then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.6.2 Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the relevant service costs line in the comprehensive income and expenditure statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

When termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

1.6.3 Post-employment benefits

The majority of Council employees are members of the local government pension scheme, administered by Buckinghamshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The local government scheme is accounted for as a defined benefits scheme:

- The liabilities of Buckinghamshire County Council's superannuation fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve, which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx Sterling Corporate Index was used as a standard assumption for most employers in the fund.

- The assets of Buckinghamshire County Council's superannuation fund attributable to the Council are included in the balance sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

- The change in the net pensions liability is analysed into the following components:

    - service cost comprising:
        - current service cost – the increase in liabilities as a result of years of service earned this year (allocated in the comprehensive income and expenditure statement to the services for which the employees worked).

  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the net cost of services in the comprehensive income and expenditure statement as part of non-distributed costs).
  - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the year in the net defined benefit liability that arises from the passage of time (charged to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

- re-measurement comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (charged to the pensions reserve as other comprehensive income and expenditure).
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions (charged to the pensions reserve as other comprehensive income and expenditure).

- contributions paid to Buckinghamshire County Council's pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.6.4 Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the local government pension scheme.

1.7 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that have occurred between the balance sheet date and the date when the statement of accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the balance sheet date – the statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the balance sheet date – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.8 Financial instruments

1.8.1 Financial liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

This means that for the borrowings the Council has, the amount presented in the balance sheet is the outstanding principal repayable plus accrued interest, and interest charged to the comprehensive income and expenditure statement is the amount payable for the year.

1.8.2 Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

1.8.2.1 Loans and receivables

Loans and receivables are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

This means that for the loans the Council has made, the amount presented in the balance sheet is the outstanding principal receivable plus accrued interest, and interest charged to the comprehensive income and expenditure statement is the amount receivable for the year.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

1.8.2.2 Available for sale assets

Available for sale assets are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are measured at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

1.9 Government grants and other contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or taxation and non-specific grant income in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

1.9.1 Revenue support grant

Revenue support grant (RSG) is a general grant allocated by central government directly to local authorities as additional revenue funding. RSG is non-ring-fenced and is credited to taxation and non-specific grant income in the comprehensive income and expenditure statement

1.10 Interests in companies and other entities

The Council has a material interest in Aylesbury Vale Estates LLP (AVE), Aylesbury Vale Broadband (AVB) and Vale Commerce (VC), which requires it to prepare group accounts. In the Council's own single-entity accounts this interest is recorded as a financial asset at cost less any provision for losses.

1.11 Inventories and long-term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of the comprehensive income and expenditure statement being charged in the year during which the cost of goods or services were received or provided.

1.12 Investment property

Investment properties are those (land or a building, or part of a building, or both) that are held solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals and costs relating to investment properties are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement and result in a gain or loss for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and any sale proceeds credited to the capital receipts reserve.

1.13 Leases

1.13.1 Finance leases

The Council accounts for leases as finance leases when substantially all (determined for Aylesbury Vale District Council as being equal to or greater than 95%) the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable); and
- a finance charge is made to net operating expenditure in the comprehensive income and expenditure statement as the rent becomes payable.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term, if this is shorter than the asset's estimated useful life.

1.13.2 Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service account on a straight-line basis over the term of the lease, which generally means that rentals are charged when they become payable.

1.14 Overheads and support services

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.15 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.16 Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

1.16.1 Recognition

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure in excess of £10,000 on fixed assets is capitalised. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

1.16.2 Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- assets surplus to requirements - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- other land and buildings - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- vehicles, plant and equipment – existing use value (EUV)
- infrastructure assets - historic cost
- community assets – historic cost or revalued basis
- assets under construction – historic cost
- heritage assets – historic cost

Assets included in the balance sheet at current value are revalued on a rolling basis within a five year time-frame. Increases in valuations are matched by credits in the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

1.16.3 Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- where there is no balance on the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant line(s) in the comprehensive income and expenditure account.

Where an impairment loss is charged to the comprehensive income and expenditure statement but there were accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the revaluation reserve to the capital adjustment account.

1.16.4 Disposals and non current assets held for resale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for resale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating costs line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on non current assets held for resale.

If assets no longer meet the criteria to be classified as non current assets held for resale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified for resale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for resale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the comprehensive income and expenditure statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. Amounts in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow – the capital financing requirement. Receipts are appropriated to the reserve from the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the movement in reserves statement.

1.16.5 Depreciation

Depreciation is provided in respect of all the relevant property, plant and equipment, other than investment properties, where a finite useful life has been determined. This is with the intention of writing off their balance sheet values in equal annual instalments over their remaining expected useful lives. This is commonly referred to as the ‘straight line’ method. An exception is made for assets without a determinable finite life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

1.16.6 Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that property, plant and equipment is accurately and fairly included in the Council’s balance sheet, and that the comprehensive income and expenditure statement properly reflects the consumption of economic benefits of those assets over their useful lives through depreciation charges.

In order to do this, the Council must first determine which of its assets have a material value. For Aylesbury Vale District Council materiality in this instance has been set as any asset with a carrying value equal to or greater than 20% of the total carrying value for any asset group.

Where an asset is deemed material then the Council must ensure that the overall value of an asset is fairly apportioned over significant components that need to be accounted for separately and that their useful lives and the method of depreciation are determined on a reasonable and consistent basis. For Aylesbury Vale District Council significance has been set at equal to or greater than 20% of the asset’s cost.

1.17 Provisions, contingent liabilities and contingent assets

1.17.1 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.17.2 Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

1.17.3 Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account. The value is then appropriated from the reserve and credited to the general fund balance so that there is no charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.19 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.20 VAT

VAT is only included within the revenue and capital income and expenditure accounts to the extent that it is irrecoverable.

2. Accounting standards not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2016/17 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The accounting changes introduced in the 2017/18 Code relate to the reporting of pension fund scheme transactions and have no impact.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's balance sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Business rates - Since the introduction of the business rates retention scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of the total provision up to and including 31 March 2017.

- Council tax (surplus)/deficit - Assumptions are made on the likely (surplus)/deficit for the year in the January prior to the year end. The information forms part of the budget setting process for Aylesbury Vale District Council, Buckinghamshire County Council, Thames Valley Police Authority and Buckinghamshire and Milton Keynes Fire & Rescue Authority. If the actual (surplus)/deficit differs significantly from the estimated assumption position from January, there will be an impact in the following year's budget process. A higher deficit could mean more savings being required or an increased council tax.

- Debt impairment - At 31 March 2017, the Council had a balance of sundry debtors for £10,805,000. A review of significant balances suggested that an impairment for doubtful debts of 26% (£2,802,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, which was not the case during 2016/17, the Council would require additional funds to set aside as an allowance.

- Earmarked reserves - The Council has a large number of earmarked reserves, which are reviewed annually to assess the expected year end balance. The expected reserve balances form part of the budget setting process. Although, the reserve levels are not prescribed, major variations could have an impact on service budgets as expected funds may not be available, which could lead to savings being required in year.

- Pensions liability - Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. The assumptions interact in complex ways.

- Property, plant and equipment - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. In the current economic climate there will be increased pressure on all budgets, leading to difficult choices which might result in the Council being less able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

  If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £210,453 for every year that useful lives had to be reduced.

- Provisions for liabilities including restructuring, redundancy and onerous contracts - no provision is made for redundancies as sections have to meet the cost from within their own budgets. If there was the need to make redundancies and they could not be met from the service budget then it would impact on the general fund surplus. Any impact would have to be met from the following year. It could be significant if there were a large number.

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

5. Events after the balance sheet date

The statement of accounts was authorised for issue by the Director on 25 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6.1 Expenditure and funding analysis

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the comprehensive income and expenditure statement.

2015/16							2016/17					
Council			Group				Council			Group		
Net expenditure chargeable to the general fund	Adjustments between the funding and accounting basis	Net expenditure in the comprehensive income and expenditure statement	Net expenditure chargeable to the general fund	Adjustments between the funding & accounting basis	Net expenditure in the comprehensive income and expenditure statement		Net expenditure chargeable to the general fund	Adjustments between the funding & accounting basis	Net expenditure in the comprehensive income and expenditure statement	Net expenditure chargeable to the general fund	Adjustments between the funding & accounting basis	Net expenditure in the comprehensive income and expenditure statement
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
726	(45)	681	726	(45)	681	Business transformation	436	(17)	419	436	(17)	419
(484)	(580)	(1,064)	(484)	(580)	(1,064)	Economic development delivery	1,033	(2,263)	(1,230)	1,033	(2,263)	(1,230)
5,580	(1,291)	4,289	5,580	(1,291)	4,289	Environment and waste	6,009	(1,021)	4,988	6,009	(1,021)	4,988
2,417	(699)	1,718	2,417	(699)	1,718	Finance, resources and compliance	3,696	(577)	3,119	3,696	(577)	3,119
1,246	(458)	788	1,246	(458)	788	Growth strategy	1,588	(354)	1,234	1,588	(354)	1,234
3,072	2,134	5,206	3,072	2,134	5,206	Leader	4,061	1,884	5,945	4,061	1,884	5,945
8,311	(3,043)	5,268	8,311	(3,043)	5,268	Leisure, communities and civic amenities	4,194	723	4,917	4,194	723	4,917
20,868	**(3,982)**	**16,886**	**20,868**	**(3,982)**	**16,886**	**Net cost of services**	**21,017**	**(1,625)**	**19,392**	**21,017**	**(1,625)**	**19,392**
(25,487)	4,053	(21,434)	(25,405)	4,048	(21,357)	Other income and expenditure	(29,008)	10,200	(18,808)	(28,249)	10,063	(18,186)
		(4,548)			**(4,471)**	**(Surplus)/deficit**			**584**			**1,206**
		(31,531)			(29,721)	Opening general fund balance at 1 April			(36,079)			(34,192)
		(4,548)			(4,471)	(Surplus)/deficit for the year			584			1,206
		(36,079)			**(34,192)**	**Closing general fund balance at 31 March**			**(35,495)**			**(32,986)**

6.2 Note to the expenditure and funding analysis

Adjustments from the general fund to arrive at the comprehensive income and expenditure statement amounts

	2016/17 Council				2016/17 Group			
	Adjustments for capital purposes (note 1) £000	Net change for the pensions adjustment (note 2) £000	Other Differences (note 3) £000	Total Adjustments £000	Adjustments for capital purposes (note 1) £000	Net change for the pensions adjustment (note 2) £000	Other Differences (note 3) £000	Total Adjustments £000
Business transformation	-	(17)	-	(17)	-	(17)	-	(17)
Economic development delivery	(2,155)	(108)	-	(2,263)	(2,155)	(108)	-	(2,263)
Environment and waste	(348)	(673)	-	(1,021)	(348)	(673)	-	(1,021)
Finance, resources and compliance	-	(577)	-	(577)	-	(577)	-	(577)
Growth strategy	-	(354)	-	(354)	-	(354)	-	(354)
Leader	-	1,884	-	1,884	-	1,884	-	1,884
Leisure, communities and civic amenities	1,158	(435)	-	723	1,158	(435)	-	723
Net cost of services	**(1,345)**	**(280)**	**-**	**(1,625)**	**(1,345)**	**(280)**	**-**	**(1,625)**
Financing items	6,846	2,165	1,189	10,200	6,846	2,165	1,189	10,200
Share of subsidiary and joint venture reserves	-	-	-	-	-	-	(137)	(137)
Other income and expenditure	**6,846**	**2,165**	**1,189**	**10,200**	**6,846**	**2,165**	**1,052**	**10,063**

	2015/16 Council				2015/16 Group			
	Adjustments for capital purposes (note 1)	Net change for the pensions adjustment (note 2)	Other Differences (note 3)	Total Adjustments	Adjustments for capital purposes (note 1)	Net change for the pensions adjustment (note 2)	Other Differences (note 3)	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000
Business transformation	-	(45)	-	(45)	-	(45)	-	(45)
Economic development delivery	(467)	(113)	-	(580)	(467)	(113)	-	(580)
Environment and waste	(499)	(792)	-	(1,291)	(499)	(792)	-	(1,291)
Finance, resources and compliance	-	(699)	-	(699)	-	(699)	-	(699)
Growth strategy	-	(458)	-	(458)	-	(458)	-	(458)
Leader	-	2,134	-	2,134	-	2,134	-	2,134
Leisure, communities and civic amenities	(2,490)	(553)	-	(3,043)	(2,490)	(553)	-	(3,043)
	(3,456)	**(526)**	**-**	**(3,982)**	**(3,456)**	**(526)**	**-**	**(3,982)**
Financing items	6,767	(2,930)	216	4,053	6,767	(2,930)	216	4,053
Share of subsidiary and joint venture reserves	-	-	-	-	-	-	(5)	(5)
Other income and expenditure	**6,767**	**(2,930)**	**216**	**4,053**	**6,767**	**(2,930)**	**211**	**4,048**

1. **Adjustments for capital purposes**
   This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
   - **Other operating expenditure -** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
   - **Financing and investment income and expenditure -** the statutory charges for capital financing, i.e. minimum revenue provision, and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
   - **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
2. **Net change for the pensions adjustment**
   Net change for the removal of pension contributions and the addition of IAS19 employee benefits pension related expenditure and income:
   - For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
   - For **financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the comprehensive income and expenditure statement.
3. **Other differences**
   Other differences between amounts debited/(credited) to the comprehensive income and expenditure statement and amounts payable/(receivable) to be recognised under statute:
   - For **financing and investment income and expenditure** the other difference column recognises adjustments to the general fund for the timing differences for premiums and discounts.
   - The charge under **taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and non domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future (surpluses) or deficits on the collection fund.

7. Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:

2015/16			2016/17	
Council	**Group**		**Council**	**Group**
£000	£000		£000	£000
		Expenditure		
21,312	21,312	Employee benefits expenses	23,356	23,356
64,262	64,262	Other service expenses	64,309	64,309
(135)	(135)	Support service recharges	(39)	(39)
3,071	3,071	Depreciation & impairment	1,039	1,039
3,837	3,837	Interest payments	3,653	3,653
4,552	4,552	Precepts & levies	5,057	5,057
-	-	Payments to housing capital receipts pool	1	1
801	801	Loss/(gain) on disposal of fixed assets	23	23
-	(178)	Share of profits attributable to joint venture	-	(264)
-	183	Losses attributable to subsidiary companies	-	401
211	211	Other expenditure	340	340
97,911	**97,916**	**Total expenditure**	**97,739**	**97,876**
		Income		
(66,522)	(66,522)	Fees, charges & other service income	(67,648)	(67,648)
(2,804)	(2,804)	Interest and investment income	(2,182)	(2,182)
(18,574)	(18,574)	Income from council tax & non-domestic rates	(21,095)	(21,095)
(2,310)	(2,310)	Post stock transfer capital receipts	(3,177)	(3,177)
(11,996)	(11,996)	Government grants and contributions	(10,817)	(10,817)
(77)	-	Dividends receivable	(622)	-
(247)	(247)	Other income	(189)	(189)
(102,530)	**(102,453)**	**Total income**	**(105,730)**	**(105,108)**

8. Adjustments

8.1 Adjustments between group accounts and Council accounts

2015/16 Group £000		2016/17 Group £000
(178)	Share of AVE LLP profit for the year	(264)
190	Aylesbury Vale Broadband Ltd loss for the year	357
-	Vale Commerce Ltd loss for the year	37
(7)	Novae Ltd (profit)/loss for the year	7
5		**137**

8.2 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are made by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves against which the adjustments are made.

- **General fund balance**
  The general fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the general fund balance, which is not necessarily in accordance with proper accounting practice. The general fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment.

- **Capital receipts reserve**
  The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

- **Capital grants unapplied**
  The capital grants unapplied account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Council and group	2016/17		
	Usable reserves		
	General fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000
Adjustments to the revenue resources			
Amounts by which the income and expenditure included in the comprehensive income and expenditure statement are difference from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to/(from) the pensions reserve)	1,885	-	-
• Financial instruments (transferred to/(from) the financial instruments adjustments reserve)			
• Council tax and NNDR (transfers to or from the collection fund adjustment account)	1,314	-	-
• Holiday pay (transferred to/(from) the accumulated absences reserve)	(102)	-	-
• Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	194	-	(1,967)
Total adjustments to the revenue resources	**3,291**	**-**	**(1,967)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	3,582	(3,582)	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	1,702	-	-
Total adjustments between revenue and capital resources	**5,284**	**(3,582)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure	-	3,753	-
Application of capital grants to finance capital expenditure	-	-	974
Cash payments in relation to deferred capital receipts	-	(618)	-
Total adjustments to capital resources	**-**	**3,135**	**974**
Total adjustments	**8,575**	**(447)**	**(993)**

Council and group	2015/16		
	Usable reserves		
	General fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000
Adjustments to the revenue resources			
Amounts by which the income and expenditure included in the comprehensive income and expenditure statement are difference from revenue for the year calculated in accordance with statutory requirements:			
• Pensions costs (transferred to/(from) the pensions reserve)	(3,456)	-	-
• Financial instruments (transferred to/(from) the financial instruments adjustments reserve)			
• Council tax and NNDR (transfers to or from the collection fund adjustment account)	212	-	-
• Holiday pay (transferred to/(from) the accumulated absences reserve)	4	-	-
• Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	(654)	-	(3,722)
Total adjustments to the revenue resources	**(3,894)**	**-**	**(3,722)**
Adjustments between revenue and capital resources			
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	2,429	(2,429)	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	1,536	-	-
Total adjustments between revenue and capital resources	**3,965**	**(2,429)**	**-**
Adjustments to capital resources			
Use of the capital receipts reserve to finance capital expenditure		5,785	
Application of capital grants to finance capital expenditure			3,039
Cash payments in relation to deferred capital receipts		(109)	
Total adjustments to capital resources	**-**	**5,676**	**3,039**
Total adjustments	**71**	**3,247**	**(683)**

9. Movements in earmarked reserves

This note sets out the amounts set aside from general fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2015/16 and 2016/17.

Council and group	Balance 1 April 2015	Transfers out 2015/16	Transfers in 2015/16	Balance 31 March 2016	Transfers out 2016/17	Transfers in 2016/17	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Capital purposes							
Amenity areas	(2,506)	-	(242)	(2,748)	-	(172)	(2,920)
Property sinking	(2,312)	500	-	(1,812)	-	-	(1,812)
Information technology	(1,229)	78	(297)	(1,448)	176	(297)	(1,569)
Property strategy	(540)	-	-	(540)	-	-	(540)
Future vehicle costs	(4)	-	-	(4)	-	(135)	(139)
	(6,591)	**578**	**(539)**	**(6,552)**	**176**	**(604)**	**(6,980)**
Revenue purposes							
New homes bonus	(7,001)	1,454	(5,074)	(10,621)	6,176	(7,052)	(11,497)
Interest equalisation	(2,795)	619	(658)	(2,834)	167	(230)	(2,897)
Planning fees	(1,190)	-	(1,156)	(2,346)	396	(60)	(2,010)
Business rates	(2,001)	-	-	(2,001)	-	-	(2,001)
Repairs & renewals	(908)	97	(384)	(1,195)	248	(151)	(1,098)
Superannuation	(1,560)	277	-	(1,283)	277	-	(1,006)
Fairford Leys riverine	(850)	-	(12)	(862)	-	(8)	(870)
LABGI	(857)	-	-	(857)	-	-	(857)
Aylesbury special expenses	(519)	15	-	(504)	-	(48)	(552)
Self insurance	(577)	-	-	(577)	36	-	(541)
Benefit subsidy	(1,534)	727	-	(807)	374	-	(433)
Health licensing income	(51)	-	(120)	(171)	-	(240)	(411)
Leisure Activities	(156)	-	(2)	(158)	8	(109)	(259)
District elections	(160)	-	(39)	(199)	-	(45)	(244)
Recycling & composting	(199)	-	(107)	(306)	160	(77)	(223)
Car parking	(192)	-	(15)	(207)	-	-	(207)
Historic buildings	(141)	-	-	(141)	6	(5)	(140)
Housing needs & s106	(107)	-	-	(107)	-	-	(107)
Business support fund	(102)	-	-	(102)	-	-	(102)
Rent guarantee scheme	(71)	-	-	(71)	-	-	(71)
Market research	(47)	-	-	(47)	-	-	(47)
Playgrounds	(40)	-	-	(40)	-	-	(40)
Business transformation	(89)	-	-	(89)	60	-	(29)
Land registry fees	(11)	-	-	(11)	11	-	-
Other	(9)	1	-	(8)	8	-	-
Corporate improvement	(8)	-	-	(8)	8	-	-
	(21,175)	**3,190**	**(7,567)**	**(25,552)**	**7,935**	**(8,025)**	**(25,642)**
	(27,766)	**3,768**	**(8,106)**	**(32,104)**	**8,111**	**(8,629)**	**(32,622)**

The following paragraphs provide an explanation of those reserves whose balance is in excess of £1 million or where it was felt reporting would be beneficial.

(a) Amenity areas
The Council has established a reserve to hold commuted sums and sums received by way of section 106 agreements. The sums are invested and the interest transferred to the general fund to meet on-going revenue costs.

(b) Property sinking reserve
The Council has established a property sinking fund for the purpose of meeting large maintenance and refurbishment costs associated with operational buildings, particularly the offices and the new theatre.

(c) Information technology
The Council has established a reserve for the purpose of meeting the cost of investment in new technology.

(d) New homes bonus
The Council has established a reserve from payments received from the Government. The new homes bonus payments are an incentive scheme aimed at encouraging authorities to increase housing supply through new build and returning empty properties to use. At its meeting of the 17 July 2013, the Council agreed to a £5.4 million contribution to the East/West rail link, which would be met from this reserve.

(e) Interest equalisation reserve
The Council has established a reserve for the purpose of maintaining the level of interest transferred to the general fund annually. The reserve helps to counteract any fluctuations in interest rates.

(f) Planning reserves
The Council has established a number of reserves for the purpose of meeting fees and costs associated with major planning enquiries.

(g) Business rates reserve
The Council has established a reserve to smooth out the fluctuations in the retained proportion of business rates arising from new government financing arrangements.

(h) Repairs and maintenance (corporate property) reserve
The Council maintains a reserve for the purpose of providing for the future refurbishment of general fund property assets. This reserve receives an annual contribution from the comprehensive income and expenditure account.

(i) Superannuation reserve
This reserve has been established for the purpose of meeting back funding contributions and pension strain costs in respect of deleted posts.

(j) LABGI (local authority business growth incentive) reserve
The Council has created a reserve from the grant income received from the DCLG pending the allocation to specific areas that have been identified within the district.

(k) Benefit subsidy reserve
The Council has established a reserve for the purpose of meeting fluctuations in respect of housing benefit subsidy. Additional year end subsidy received during the following year will be available to meet future fluctuations once the final benefit subsidy position is known.

10. Other operating income and expenditure

2015/16 Council and Group		2016/17 Council and Group
£000		£000
4,552	Parish precepts	5,057
-	Payments to the government housing capital receipts pool	1
(2,310)	Post stock transfer capital receipts	(3,177)
(242)	Commuted sum income	(275)
206	Other operating (income)/costs	426
801	Loss on disposal of non-current assets	23
3,007		**2,055**

11. Financing and investment income and expenditure

2015/16 Council	2015/16 Group		2016/17 Council	2016/17 Group
£000	£000		£000	£000
906	906	Interest payable and similar charges	818	818
2,931	2,931	Net interest on the net defined liability	2,835	2,835
(2,804)	(2,804)	Interest receivable and similar income	(2,182)	(2,182)
-	183	Losses attributable to subsidiary companies	-	401
-	(178)	Share of profits attributable to joint venture	-	(264)
(77)	-	Distribution attributable to joint venture (note 31)	(622)	-
956	**1,038**		**849**	**1,608**

12. Taxation and non-specific grant income

2015/16 Council and Group		2016/17 Council and Group
£000		£000
(15,031)	Council tax income	(15,604)
(3,543)	Non domestic rates	(5,491)
(8,599)	Non-ringfenced government grants (note 32)	(10,189)
(2,277)	Capital grants and contributions	(628)
(29,450)		**(31,912)**

13. Property, plant and equipment

13.1 Measurement bases used

The gross carrying amount of assets has been determined on the following bases:

- assets surplus to requirements - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- other land and buildings - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- vehicles, plant and equipment – existing use value (EUV)
- infrastructure assets - historic cost
- community assets – historic cost or revalued basis
- assets under construction – historic cost
- heritage assets – historic cost

13.2 Depreciation methods used

Depreciation is calculated on a straight line basis over the useful life of an asset

13.3 Useful lives or depreciation rates used

The useful life of an asset is the period over which it is expected to deliver productive benefit to the Council. The useful lives used for depreciating the various assets are:

Class type	Useful life
Surface car parks	20 - 34 years
Multi-storey car parks	26 - 50 years
Sports pavilions	10 - 28 years
Other public buildings	8 - 43 years
Waste Bins	7 years
Equipment	5 years
Vehicles	3 years

13.4 Capital commitments

The Council had no outstanding capital commitments at 31 March 2017.

The Council had no construction contracts in effect at 31 March 2017.

13.5 Effects of changes in estimates

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £210,453 for every year that useful lives had to be reduced.

13.6 Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least once every five years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of all public conveniences, community centres, leisure buildings and open air car parks were carried out by Mark Aldis BSc (Hons) M.R.I.C.S. of Wilks, Head and Eve as at 31 March 2017.

The significant assumptions applied in estimating the fair values are:

- operational assets – the total value has been apportioned between land and building parts, with the building representing the depreciable amount;

- specialised assets – where no market-based evidence exists to arrive at fair value, the depreciated replacement cost (DRC) approach has been used;

- land assets – these have been assessed to fair value having regard to the cost of purchasing notional replacement sites in the same locality;

- assets held for sale – these have been assessed to fair value on the basis of market value.

13.7 Movement on property, plant and equipment

Council	2016/17						
	Other land & buildings	Vehicles, plant & equipment	Community assets	Surplus assets	Heritage assets	PP&E under construction	Total PP&E
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2016	115,767	6,108	19	9,729	220	85	131,928
Additions	3,480	-	-	-	-	1,245	4,725
Revaluation increases/(decreases) recognised in the revaluation reserve	8,901	314	-	-	-	-	9,215
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	(752)	-	-	-	-	-	(752)
Impairment written out to the (surplus)/deficit on the provision of services	-	-	-	-	-	(212)	(212)
Other movements in cost or valuation	9,718	-	-	(9,718)	-	-	-
At 31 March 2017	**137,114**	**6,422**	**19**	**11**	**220**	**1,118**	**144,904**
Accumulated depreciation							
At 1 April 2016	(6,848)	(4,759)	-	-	-	-	(11,607)
Depreciation charge	284	(349)	-	(10)	-	-	(75)
Depreciation written out to the revaluation reserve	1,633	-	-	-	-	-	1,633
At 31 March 2017	**(4,931)**	**(5,108)**	**-**	**(10)**	**-**	**-**	**(10,049)**
Net book value							
At 31 March 2017	**132,183**	**1,314**	**19**	**1**	**220**	**1,118**	**134,855**
At 1 April 2016	**108,919**	**1,349**	**19**	**9,729**	**220**	**85**	**120,321**

Group	2016/17						
	Other land & buildings	Vehicles, plant & equipment	Community assets	Surplus assets	Heritage assets	PP&E under construction	Total PP&E
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2016	115,767	6,108	19	9,729	220	85	131,928
Additions	3,480	503	-	-	-	1,245	5,228
Revaluation increases/(decreases) recognised in the revaluation reserve	8,901	314	-	-	-	-	9,215
Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	(752)	-	-	-	-	-	(752)
Impairment written out to the (surplus)/deficit on the provision of services	-	-	-	-	-	(212)	(212)
At 31 March 2017	**137,114**	**6,925**	**19**	**11**	**220**	**1,118**	**145,407**
Accumulated depreciation							
At 1 April 2016	(6,848)	(4,759)	-	-	-	-	(11,607)
Depreciation charge	284	(349)	-	(10)	-	-	(75)
Depreciation written out to the revaluation reserve	1,633	-	-	-	-	-	1,633
At 31 March 2017	**(4,931)**	**(5,108)**	**-**	**(10)**	**-**	**-**	**(10,049)**
Net book value							
At 31 March 2017	**132,183**	**1,817**	**19**	**1**	**220**	**1,118**	**135,358**
At 1 April 2016	**108,919**	**1,349**	**19**	**9,729**	**220**	**85**	**120,321**

Council and group	2015/16						
	Other land & buildings £000	**Vehicles, plant & equipment** £000	**Community assets** £000	**Surplus assets** £000	**Heritage assets** £000	**PP&E under construction** £000	**Total PP&E** £000
Cost or valuation							
At 1 April 2015	112,892	6,108	19	9,729	220	10,131	139,099
Additions	2,411	-	-	-	-	6,083	8,494
Revaluation increases/(decreases) recognised in the revaluation reserve	557	-	-	-	-	-	557
Derecognition - disposals	(16,222)	-	-	-	-	-	(16,222)
Other movements in cost or valuation	16,129	-	-	-	-	(16,129)	-
At 31 March 2016	**115,767**	**6,108**	**19**	**9,729**	**220**	**85**	**131,928**
Accumulated depreciation							
At 1 April 2015	(4,338)	(4,221)	-	-	-	-	(8,559)
Depreciation charge	(2,547)	(538)	-	-	-	-	(3,085)
Derecognition - disposals	37	-	-	-	-	-	37
At 31 March 2016	**(6,848)**	**(4,759)**	**-**	**-**	**-**	**-**	**(11,607)**
Net book value							
At 31 March 2016	**108,919**	**1,349**	**19**	**9,729**	**220**	**85**	**120,321**
At 1 April 2015	**108,554**	**1,887**	**19**	**9,729**	**220**	**10,131**	**130,540**

14. Investment properties

The following items of income and expense have been accounted for in the economic development delivery line in the comprehensive income and expenditure statement:

2015/16 Council and group		2016/17 Council and group
£000		£000
(6)	Rental income from investment property	(9)
54	Direct operating expenses arising from investment property	110
48		**101**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
415	Balance at 1 April	415
415	**Balance at 31 March**	**415**

15. Long term investments

31 March 2016 Council		31 March 2017 Council
£000		£000
1,284	Aylesbury Vale Estates LLP	1,284
1,284		**1,284**

16. Investment in joint venture

31 March 2016 Group		31 March 2017 Group
£000		£000
1,308	Investment at cost	1,308
(24)	Capital repayments and distributions	(24)
(1,887)	Distributions	(2,509)
(995)	AVDC share of accumulated (losses)/profits	(731)
4,341	AVDC share of accumulated revaluation gains	5,056
2,743		**3,100**

17. Long term debtors

31 March 2016 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 Group
£000	£000		£000	£000
27,856	27,856	Aylesbury Vale Estates LLP	27,422	27,422
15,577	15,577	Finance leases	15,150	15,150
-	-	Hale Leys LLP	4,912	4,912
171	-	Aylesbury Vale Broadband Ltd	986	-
-	-	Bucks Advantage	500	500
10	-	Vale Commerce Ltd	50	-
38	38	Car purchase loans	19	19
43,652	**43,471**		**49,039**	**48,003**

18. Assets held for resale

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
	Elmhurst Community Centre	
451	Balance as at 1 April	428
-	Disposals	(428)
(23)	Revaluation - Impairment	-
428	Balance as at 31 March	-

19. Financial instruments

19.1 Categories of financial instruments

The following categories of financial instruments are carried in the balance sheet:

31 March 2016					31 March 2017			
Council		Group			Council		Group	
Long term	Current	Long term	Current		Long term	Current	Long term	Current
£000	£000	£000	£000		£000	£000	£000	£000
				Investments				
-	32,569	-	32,569	Loans and receivables	-	38,081	-	38,081
-	**32,569**	**-**	**32,569**	**Total investments**	**-**	**38,081**	**-**	**38,081**
				Debtors				
43,652	4,387	43,471	4,387	Loans and receivables	49,039	4,496	48,003	4,496
-	7,905	-	7,932	Financial assets carried at contract amounts	-	8,615	-	8,711
43,652	**12,292**	**43,471**	**12,319**	**Total debtors**	**49,039**	**13,111**	**48,003**	**13,207**
				Cash and cash equivalents				
-	9,074	-	9,095	Financial assets carried at contract amount	-	4,695	-	4,725
-	**9,074**	**-**	**9,095**	**Total cash and cash equivalents**	**-**	**4,695**	**-**	**4,725**
				Borrowings				
(23,593)	-	(23,593)	-	Financial liabilities at amortised cost	(23,410)	-	(23,410)	-
(23,593)	**-**	**(23,593)**	**-**	**Total borrowings**	**(23,410)**	**-**	**(23,410)**	**-**
				Creditors				
-	(7,665)	-	(7,715)	Financial liabilities carried at contract amount	-	(8,468)	-	(8,645)
-	**(7,665)**	**-**	**(7,715)**	**Total creditors**	**-**	**(8,468)**	**-**	**(8,645)**

19.2 Income, expense, gains and losses

2015/16 Council and group				2016/17 Council and group		
Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total		Financial assets: loans and receivables	Assets and liabilities at fair value through profit and loss	Total
£000	£000	£000		£000	£000	£000
-	906	906	Interest expense	-	818	818
-	**906**	**906**	**Total expense in deficit on the provision of services**	**-**	**818**	**818**
(2,804)	-	(2,804)	Interest income	(2,182)	-	(2,182)
(2,804)	**-**	**(2,804)**	**Total income in deficit on the provision of services**	**(2,182)**	**-**	**(2,182)**
(2,804)	**906**	**(1,898)**		**(2,182)**	**818**	**(1,364)**

19.3 Fair values of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

31 March 2016					31 March 2017			
Council		Group			Council		Group	
Carrying amount	Fair value	Carrying amount	Fair value		Carrying amount	Fair value	Carrying amount	Fair value
£000	£000	£000	£000		£000	£000	£000	£000
				Financial assets				
43,652	43,652	43,471	43,471	Long term debtors	49,039	49,039	48,003	48,003
32,569	33,106	32,569	33,106	Short term investments	38,081	38,621	38,081	38,621
9,074	9,074	9,095	9,095	Cash and cash equivalents	4,695	4,695	4,725	4,725
85,295	**85,832**	**85,135**	**85,672**		**91,815**	**92,355**	**90,809**	**91,349**
				Financial liabilities				
(12,475)	(12,475)	(12,475)	(12,475)	Long term creditors	(14,461)	(14,461)	(14,461)	(14,461)
(23,593)	(26,685)	(23,593)	(26,685)	Long term borrowing	(23,410)	(27,708)	(23,410)	(27,708)
(36,068)	**(39,160)**	**(36,068)**	**(39,160)**		**(37,871)**	**(42,169)**	**(37,871)**	**(42,169)**

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

20. Short term debtors

31 March 2016 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 Group
£000	£000		£000	£000
1,576	1,576	Central government bodies	696	696
497	497	Other local authorities	276	276
113	113	NHS bodies	187	187
193	193	Amounts owed by joint venture	193	193
11,637	11,664	Other entities and individuals	12,608	12,704
14,016	14,043		13,960	14,056
(2,752)	(2,752)	Provision for impairment of bad debts	(2,802)	(2,802)
11,264	**11,291**		**11,158**	**11,254**

21. Short term loans

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
2,900	Hale Leys LLP	2,900
1,487	Aylesbury Vale Estates LLP	1,596
4,387		**4,496**

22. Cash and cash equivalents

31 March 2016 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 Group
£000	£000		£000	£000
1	1	Cash	1	1
2,493	2,514	Bank current accounts	1,191	1,221
6,580	6,580	Short term deposits	3,503	3,503
9,074	**9,095**		**4,695**	**4,725**

23. Short term creditors

31 March 2016 Council	31 March 2016 Group		31 March 2017 Council	31 March 2017 Group
£000	£000		£000	£000
(2,939)	(2,939)	Central government bodies	(3,290)	(3,290)
(2,872)	(2,872)	Other local authorities	(3,356)	(3,356)
(95)	(95)	NHS bodies	(118)	(118)
(5,029)	(5,079)	Other entities and individuals	(7,011)	(7,188)
(10,935)	**(10,985)**		**(13,775)**	**(13,952)**

24. Provisions

	Council and group: Short term NNDR appeals	Council and group: Long term Refundable bonds
	£000	£000
Balance at 1 April 2015	**(1,629)**	**(187)**
Additional provisions made in 2015/16	(115)	-
Balance at 31 March 2016	**(1,744)**	**(187)**
Unused amounts reversed in 2016/17	947	21
Balance at 31 March 2017	**(797)**	**(166)**

25. Other long term liabilities

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
(82,933)	Pension liability	(105,972)
(12,475)	Developer contributions	(14,461)
(95,408)		**(120,433)**

26. Usable reserves

Movement in usable reserves are summarised below:

Council	Balance 1 April 2015	Movements Debits	Movements Credits	Balance 31 March 2016	Movements Debits	Movements Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(3,765)	129,163	(129,373)	(3,975)	122,969	(121,867)	(2,873)
Capital receipts reserve	(9,609)	5,785	(2,538)	(6,362)	3,753	(4,200)	(6,809)
Capital grants unapplied	(1,267)	3,039	(3,722)	(1,950)	974	(1,967)	(2,943)
Earmarked reserves	(27,766)	3,768	(8,106)	(32,104)	8,111	(8,629)	(32,622)
	(42,407)	**141,755**	**(143,739)**	**(44,391)**	**135,807**	**(136,663)**	**(45,247)**

Group	Balance 1 April 2015	Movements Debits	Movements Credits	Balance 31 March 2016	Movements Debits	Movements Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General fund balance	(1,955)	129,303	(129,436)	(2,088)	122,969	(121,245)	(364)
Capital receipts reserve	(9,609)	5,785	(2,538)	(6,362)	3,753	(4,200)	(6,809)
Capital grants unapplied	(1,267)	3,039	(3,722)	(1,950)	974	(1,967)	(2,943)
Earmarked reserves	(27,766)	3,768	(8,106)	(32,104)	8,111	(8,629)	(32,622)
Joint venture profit and loss reserves	1,173	-	(178)	995	-	(264)	731
Subsidiary profit and loss reserves	-	186	(13)	173	431	(46)	558
	(39,424)	**142,081**	**(143,993)**	**(41,336)**	**136,238**	**(136,351)**	**(41,449)**

27. Unusable reserves

Movement in unusable reserves are summarised below:

Council only	Balance 1 April 2015	Movements Debits	Movements Credits	Balance 31 March 2016	Movements Debits	Movements Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(13,554)	-	(557)	(14,111)	-	(10,848)	(24,959)
Capital adjustment account	(81,772)	19,678	(10,360)	(72,454)	1,021	(5,677)	(77,110)
Deferred capital receipts	(28,769)	109	(15,302)	(43,962)	618	-	(43,344)
Pensions reserve	90,307	8,711	(16,085)	82,933	52,478	(29,439)	105,972
Collection fund adjustment account	597	-	(212)	385	-	(1,314)	(929)
Accumulated absences account	74	70	(74)	70	172	(70)	172
	(33,117)	**28,568**	**(42,590)**	**(47,139)**	**54,289**	**(47,348)**	**(40,198)**

Group	Balance 1 April 2015	Movements Debits	Movements Credits	Balance 31 March 2016	Movements Debits	Movements Credits	Balance 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
Revaluation reserve	(17,511)	-	(941)	(18,452)	-	(11,563)	(30,015)
Capital adjustment account	(81,772)	19,678	(10,360)	(72,454)	1,021	(5,677)	(77,110)
Deferred capital receipts	(28,769)	109	(15,302)	(43,962)	618	-	(43,344)
Pensions reserve	90,307	8,711	(16,085)	82,933	52,478	(29,439)	105,972
Collection fund adjustment account	597	-	(212)	385	-	(1,314)	(929)
Accumulated absences account	74	70	(74)	70	172	(70)	172
Minority interests	-	10	-	10	16	-	26
	(37,074)	**28,578**	**(42,974)**	**(51,470)**	**54,305**	**(48,063)**	**(45,228)**

27.1 Revaluation reserve

The revaluation reserve contains the gains arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2015/16 Council	2015/16 Group		2016/17 Council	2016/17 Group
£000	£000		£000	£000
(13,554)	(17,511)	Balance at 1 April	(14,111)	(18,452)
(557)	(941)	Upward revaluation of assets	(9,215)	(9,930)
-	-	Depreciation written back to revaluation reserve	(1,633)	(1,633)
(557)	**(941)**	**Surplus on revaluation of non-current assets not posted to the deficit on the provision of services**	**(10,848)**	**(11,563)**
(14,111)	**(18,452)**	**Balance at 31 March**	**(24,959)**	**(30,015)**

27.2 Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

2015/16 Council and group £000	2015/16 Council and group £000		2016/17 Council and group £000	2016/17 Council and group £000
	(81,772)	Balance at 1 April		(72,454)
		Reversal of items relating to capital expenditure debited to the comprehensive income and expenditure statement		
3,071		● Charges for depreciation and impairment of non-current assets	287	
-		● Revaluation increases/(decreases) recognised in the (surplus)/deficit on the provision of services	752	
385		● Revenue expenditure funded from capital under statute	306	
16,222		● Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the comprehensive income and expenditure statement	428	
	19,678	Net written out amount of the non-current assets consumed in the year		1,773
		Capital financing applied in the year		
	(5,785)	● Use of the capital receipts reserve to finance new capital expenditure		(3,753)
	(3,039)	● Application of grants to capital financing from the capital grants unapplied account and earmarked reserves		(974)
	(1,536)	● Statutory provision for the financing of capital investment charged against the general fund		(1,702)
	(72,454)	**Balance at 31 March**		**(77,110)**

27.3 Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2015/16 Council and group £000		2016/17 Council and group £000
(28,769)	Balance at 1 April	(43,962)
(15,302)	Transfer of deferred sales proceeds credited as part of the loss on disposal to the comprehensive income and expenditure statement	-
109	Transfer to the capital receipts reserve upon receipt of cash	618
(43,962)	**Balance at 31 March**	**(43,344)**

27.4 Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 Council and group £000	2015/16 Council and group £000		2016/17 Council and group £000	2016/17 Council and group £000
	90,307	Balance at 1 April		82,933
1,401		Return on plan assets in excess of interest	(14,053)	
-		Other actuarial losses on assets	(1,421)	
(12,225)		Change in financial assumptions	45,661	
-		Change in demographic assumptions	(2,505)	
(6)		Experience gain on defined benefit obligation	(2,758)	
	(10,830)	Remeasurement of net defined benefit		24,924
	7,310	Reversal of items relating to retirement benefits debited or credited to the (surplus)/deficit on the provision of services in the comprehensive income and expenditure statement		6,817
	(3,854)	Employer's pensions contributions and direct payments to pensioners payable in the year		(8,702)
	82,933	**Balance at 31 March**		**105,972**

27.5 Collection fund adjustment account

The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

2015/16 Council and group £000		2016/17 Council and group £000
597	Balance at 1 April	385
(212)	Amount by which council tax income and non domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements	(1,314)
385	**Balance at 31 March**	**(929)**

27.6 Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers (to)/from the account.

2015/16 Council and group £000	2015/16 Council and group £000		2016/17 Council and group £000	2016/17 Council and group £000
	74	Balance at 1 April		70
(74)		Settlement or cancellation of accrual made at the end of the preceding year	(70)	
70		Amount accrued at the end of the current year	172	
	(4)	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		102
	70	**Balance at 31 March**		**172**

28. Cash flow statement

28.1 Adjustments to net deficit on the provision of services for non-cash movements

2015/16 Council	2015/16 Group		2016/17 Council	2016/17 Group
£000	£000		£000	£000
3,071	3,071	Depreciation and impairment losses	1,039	1,039
(256)	(206)	(Decrease)/increase in creditors	3,914	4,041
800	1,031	Decrease in debtors	885	2,293
3,456	3,456	Pension liability	(1,885)	(1,885)
16,222	16,222	Carrying amount of non-current assets sold	428	428
-	(178)	Share of losses attributable to joint venture	-	(264)
119	119	Other non-cash items charged to the net surplus or deficit on the provision of services	(968)	(968)
23,412	**23,515**		**3,413**	**4,684**

28.2 Adjustments for items included in the net deficit on the provision of services that are investing and financing activities

2015/16 Council and group		2016/17 Council and group
£000		£000
(17,731)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,582)
(3,666)	Any other items for which the cash effects are investing or financing cash flows	(1,967)
(21,397)		**(5,549)**

28.3 Operating activities

Operating activities within the cash flow statement include the following cash flows relating to interest:

2015/16 Council and group		2016/17 Council and group
£000		£000
2,817	Interest received	2,275
(923)	Interest paid	(824)

29. Cash flow statement - investing activities

2015/16 Council and group		2016/17 Council	2016/17 Group
£000		£000	£000
(8,494)	Purchase of property, plant and equipment, investment property and intangible assets	(4,725)	(5,228)
(72,505)	Purchase of short term and long term investments	(64,517)	(64,517)
(180)	Other payments for investing activities	(6,357)	(6,357)
2,538	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,200	4,200
74,000	Proceeds from the sale of short term and long term investments	59,000	59,000
4,247	Other receipts from investing activities	1,436	1,436
(394)		**(10,963)**	**(11,466)**

30. Cash flow statement - financing activities

2015/16 Council and group £000		2016/17 Council and group £000
37	Other payments for financing activities	906
(5,168)	Repayment of short and long term borrowing	(177)
(5,131)		**729**

31. Distribution attributable to joint venture

2015/16 Council £000		2016/17 Council £000
(77)	Distribution attributable to joint venture for the year	(622)
(77)		**(622)**

32. Grant income

The Council credited the following revenue grants and contributions to the comprehensive income and expenditure statement:

2015/16 Council and group £000		2016/17 Council and group £000
	Credited to taxation and non specific grant income	
(2,705)	Revenue support grant	(1,569)
(5,743)	New homes bonus	(8,231)
(150)	Other grants	(389)
(8,598)		**(10,189)**
	Credited to services	
(417)	Renovation grants	(754)
(227)	Council tax/NNDR collection grant	(227)
(289)	Planning delivery	(126)
-	Homelessness	(62)
(45)	Individual elector registration	(56)
(142)	Land searches	(10)
(1,120)		**(1,235)**

33. Trading operations

The table below shows those operating units of the Council where service managers are required to operate within a commercial environment and balance their budget by generating income from other parts of the Council, other organisations and the general public.

2015/16 Council and group			2016/17 Council and group	
Turnover	(Surplus)/ deficit		Turnover	(Surplus)/ deficit
£000	£000		£000	£000
(880)	(79)	Trade waste	(1,001)	123
(726)	(135)	Garden waste	(862)	(259)
(2,885)	(716)	Car parks	(3,254)	483
(479)	(16)	Building control - chargeable	(540)	(23)
(87)	4	Market management	(88)	17
(529)	(84)	Land charges	(338)	(4)
(5,586)	**(1,026)**		**(6,083)**	**337**

34. Members' allowances

The Council paid the following amounts to members of the Council during the year:

2015/16 Council and group		2016/17 Council and group
£000		£000
322	Salaries	320
123	Allowances	124
10	Travel and other allowances	13
455		**457**

35. Officers' remuneration

35.1 Senior officers' remuneration

There is a requirement to disclose the individual remuneration of senior officers (those whose remuneration is more than £50,000 and are a designated head of a paid service and/or have responsibility for the management of the Council). The following table sets out the remuneration for senior officers whose salary is above £50,000 or where employed during the financial year, for those earning more than £150,000 then they must be named. The remuneration paid to the Council's senior employees is as follows:

		2016/17 Council and group				
	Identifier	Salary (including fees & allowances)	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive - Andrew Grant	1	145	14	159	33	192
Corporate Director	2	99	-	99	23	122
Corporate Director	3	82	-	82	19	101
Commercial AVDC Programme Sponsor	4	70	-	70	16	86
Assistant Director - Commercial Property	5	70	-	70	16	86
Assistant Director - Commercial & Business Strategy	6	62	-	62	14	76
Assistant Director - Customer Fulfilment	7	61	-	61	14	75
Assistant Director - Community Fulfilment	8	61	-	61	14	75
Sector Lead - Resigned	9	58		58	13	71
Sector Lead - Resigned	10	58	-	58	13	71
Assistant Director - Business Support & Enablement	11	58	-	58	13	71
		824	**14**	**838**	**188**	**1,026**

	Identifier	2015/16 Council and group Salary (including fees & allowances)	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive - Andrew Grant	1	143	-	143	33	176
Corporate Director	2	82	-	82	19	101
Sector Lead - Commercial AVDC	4	68	-	68	16	84
Sector Lead - Commercial Property	5	68	-	68	16	84
Corporate Director	3	67	-	67	15	82
Sector Lead - Customer Fulfilment	7	62	-	62	14	76
Sector Lead - Business Strategy & Governance	6	60	-	60	14	74
Sector Lead - Community Fulfilment	8	58	-	58	13	71
Sector Lead - Commercial People/IP	9	54		54	12	66
Sector Lead - Business Support Development & Enablement	10	41	-	41	9	50
Deputy Chief Executive - Resigned	12	27	-	27	6	33
		730	**-**	**730**	**167**	**897**

35.2 Officers' remuneration

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2015/16 Council and group Number of employees		2016/17 Council and group Number of employees
12	£50,000 - £54,999	9
-	£55,000 - £59,999	4
4	£60,000 - £64,999	4
1	£75,000 - £79,999	-
17		**17**

The Council has undertaken a significant corporate restructuring exercise, incurring redundancy costs as headcount is reduced. This strategy aims to achieve financial sustainability for the Council through reductions in operating costs and increased commercial revenues to offset reductions in government grant over time.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of redundancies		Number of other departures agreed		Total number of exit packages by cost		Total cost of exit packages in each	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	Council and group		Council and group		Council and group		Council and group	
							£000	£000
£0 - £20,000	10	11	-	4	10	15	110	170
£20,001 - £40,000	6	11	-	1	6	12	182	315
£40,001 - £60,000	3	1	-	2	3	3	140	135
£60,001 - £80,000	-	3	-	1	-	4	-	274
£80,001 - £100,000	-	4	-	-	-	4	-	350
	19	**30**	**-**	**8**	**19**	**38**	**432**	**1,244**

36. External audit costs

The Council has incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2015/16 Council and group		2016/17 Council and group
£000		£000
58	Fees payable to the appointed auditor with regard to external audit services	57
11	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	12
69		**69**

37. Leases

Council as lessee

37.1 Finance leases

The Council has acquired a number of buildings under finance leases, the majority of which are at a peppercorn rent. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
6,274	Other land and buildings	5,702
6,274		**5,702**

37.2 Operating leases

The Council has acquired its fleet of refuse collection vehicles by entering into operating leases with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:

2015/16 Council and group		2016/17 Council and group
£000		£000
864	Not later than one year	708
836	Later than one year and not later than five years	186
1,700		**894**

The expenditure charged to the environment and waste line in the comprehensive income and expenditure statement during the year in relation to these leases was:

2015/16 Council and group		2016/17 Council and group
£000		£000
841	Minimum lease payments	901
841		**901**

Council as lessor

37.3 Finance leases

The Council has leased out University Campus Aylesbury Vale to Buckinghamshire New University (BNU) on a finance lease with a remaining term of 34 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. At the end of the lease term ownership of the property transfers to BNU.

The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by BNU and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
	Finance lease debtor (net present value of minimum lease payments):	
209	● Current	218
15,368	● Non current	15,150
14,405	Unearned finance income	13,735
29,982		**29,103**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

31 March 2016 Council and group			31 March 2017 Council and group	
Gross investment in lease	Minimum lease payments		Gross investment in lease	Minimum lease payments
£000	£000		£000	£000
(879)	(209)	Not later than one year	(879)	(218)
(3,517)	(930)	Later than one year and not later than five years	(3,517)	(970)
(25,586)	(14,438)	Later than five years	(24,707)	(14,180)
(29,982)	**(15,577)**		**(29,103)**	**(15,368)**

37.4 Operating leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2015/16 Council and group		2016/17 Council and group
£000		£000
(1,367)	Not later than one year	(1,357)
(6,117)	Later than one year and not later than five years	(4,531)
(11,857)	Later than five years	(10,888)
(19,341)		**(16,776)**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into.

38. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2015/16 Council and group		2016/17 Council and group
£000		£000
37,365	**Opening capital financing requirement**	35,883
	Capital investment	
2,411	Property, plant and equipment	3,480
6,083	Assets under construction	1,245
(1)	Long term investments	-
385	Revenue expenditure funded from capital under statute	306
	Sources of finance	
(5,785)	Capital receipts	(3,753)
(3,039)	Government grants and other contributions	(974)
	Sums set aside from revenue:	
(1,536)	Minimum revenue provision	(1,702)
35,883	**Closing capital financing requirement**	**34,485**
	Explanation of movements in year	
(1,482)	Decrease in underlying need to borrow (unsupported by government financial assistance)	(1,398)
(1,482)	**Decrease in capital financing requirement**	**(1,398)**

39. Defined benefit pension schemes

39.1 Participation in pensions schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Buckinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

39.2 Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the general fund via the movement in reserves statement.

The following transactions have been made in the comprehensive income and expenditure statement and the general fund balance via the movement in reserves statement during the year:

	Local government pension scheme		Discretionary benefits arrangements	
	2015/16	2016/17	2015/16	2016/17
	Council and	group	Council and	group
	£000	£000	£000	£000
Cost of services:				
• service cost	4,301	3,861	-	-
Financing and investment income and expenditure				
• net interest on the defined liability	2,931	2,835	-	-
Administration expenses	78	82	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	**7,310**	**6,778**	**-**	**-**
Movement in reserves statement				
• reversal of net charges made to surplus or deficit for the provision of services for post employment benefits in accordance with the code	(7,310)	(6,817)	-	-
Actual amount charged against the general fund balance for pensions in the year:				
• employers' contributions payable to scheme	3,510	8,412		
• retirement benefits payable to pensioners			344	290

The amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement during 2016/17 is a loss of £24,924,000 (a gain of £10,830,000 during 2015/16).

39.3 Assets and liabilities in relation to post-employment benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities		Unfunded liabilities: discretionary benefits arrangements	
	2015/16	2016/17	2015/16	2016/17
	Council and	group	Council and	group
	£000	£000	£000	£000
Opening balance at 1 April	197,718	190,044	(4,162)	(3,884)
Current service cost	3,774	3,323	-	-
Interest cost	6,307	6,599	-	-
Change in financial assumptions	(12,751)	45,729	526	(68)
Change in demographic assumptions	-	(2,505)	-	-
Experience loss/(gain) on defined benefit obligation	(6)	(2,758)	-	-
Liabilities extinguished on settlements	-	(117)	-	-
Estimated benefits paid net of transfers in	(6,478)	(6,546)	-	-
Past service costs including curtailments	527	577	-	-
Contributions by scheme participants	953	900	-	-
Unfunded pension payments	-	-	(248)	(243)
Closing balance at 31 March	**190,044**	**235,246**	**(3,884)**	**(4,195)**

Reconciliation of the fair value of the scheme assets:

	Funded liabilities	
	2015/16	2016/17
	Council and group	
	£000	£000
Opening balance at 1 April	(103,249)	(103,227)
Interest on assets	(3,376)	(3,764)
Return on assets less interest	1,401	(14,053)
Other actuarial gains and losses	-	(1,382)
Administration expenses	78	82
Contributions by employer including unfunded	(3,854)	(8,702)
Contributions by scheme participants	(953)	(900)
Estimated benefits paid plus unfunded net of transfers in	6,726	6,789
Settlement prices paid	-	78
Closing balance at 31 March	**(103,227)**	**(125,079)**

Pension scheme assets comprised:

	31 March 2016				31 March 2017			
	Council and group				Council and group			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage total of asset	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage total of asset
	£000	£000	£000	%	£000	£000	£000	%
Gilts	12,641	-	12,641	12%	14,749	-	14,749	12%
UK equities	10,944	-	10,944	11%	12,258	-	12,258	10%
Overseas equities	37,789	-	37,789	37%	50,157	-	50,157	40%
Private equity	-	6,516	6,516	6%	-	8,093	8,093	6%
Other bonds	12,583	-	12,583	12%	15,305	-	15,305	12%
Property	8,293	1,502	9,795	9%	8,916	628	9,544	8%
Cash	2,643	-	2,643	3%	4,247	-	4,247	3%
Hedge funds	-	4,318	4,318	4%	-	4,558	4,558	4%
Absolute return portfolio	-	4,592	4,592	5%	-	4,662	4,662	4%
Alternative Assets	-	1,406	1,406	1%	-	1,506	1,506	1%
	84,893	**18,334**	**103,227**		**105,632**	**19,447**	**125,079**	

39.4 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The local government pension scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2015/16 Council and group		2016/17 Council and group
	Mortality assumptions	
	Longevity at 65 for current pensioners:	
23.8	Men	23.9
26.2	Women	26.0
	Longevity at 65 for future pensioners:	
26.1	Men	26.1
28.5	Women	28.3
2.3%	Rate of Inflation	2.7%
4.1%	Rate of increase in salaries	4.2%
2.3%	Rate of increase in pensions	2.7%
3.6%	Rate for discounting scheme liabilities	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in assumption	Decrease in assumption
	Council and group	
	£000	£000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(4,187)	4,267
Rate of increase in salaries (increase or decrease by 0.1%)	537	(533)
Rate of increase in pensions (increase or decrease by 0.1%)	3,726	(3,658)
Longevity (increase or decrease by 1 year)	8,960	(8,616)

39.5 Impact on the Council’s cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £105,972,000 has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the local government pension scheme by the Council in the year to 31 March 2018 is £3,623,000.

39.6 Scheme history

	2012/13	2013/14	2014/15	2015/16	2016/17
	Council and group				
	£000	£000	£000	£000	£000
Present value of liabilities					
Local government pension scheme	162,752	171,170	197,718	190,044	235,246
Discretionary benefits	(924)	(3,992)	(4,162)	(3,884)	(4,195)
Fair value of assets in the local government pension scheme	(94,107)	(94,114)	(103,249)	(103,227)	(125,079)
(Surplus)/deficit in the scheme:					
● local government pension scheme	68,645	77,056	94,469	86,817	110,167
● discretionary benefits	(924)	(3,992)	(4,162)	(3,884)	(4,195)
Total	67,721	73,064	90,307	82,933	105,972

39.7 History of experience gains and losses

The actuarial gains identified as movements on the pensions reserve in 2016/17 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2017:

	2012/13	2013/14	2014/15	2015/16	2016/17
	Council and group				
	%	%	%	%	%
Differences between the expected and actual return on assets	(10.72)	11.75	2.61	1.91	14.24
Experience gains and losses on liabilities	-	(0.81)	6.88	-	1.19

40. Nature and extent of risks arising from financial instruments

The Council’s activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

40.1 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers.

This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody’s Ratings Services. The annual investment strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

The objective of the Council’s treasury management policy is that it matches or betters the “average 7 day rate” for interest earned on investments whilst at all times protecting the Council’s capital balances.

Investments are limited to the top 25 building societies together with UK banks and are only made to those institutions with high credit ratings and never for more than one year. A high credit rating is defined for this purpose as those banks or building societies with a short term rating of (A) or better according to the Fitch and Moody's Rating Services. Those building societies without Fitch ratings but ranked within the top 25 by size are also classed as prudent counterparties for investments purposes. Under the Local Government Act 2003 these are classed as non-specified institutions and should only be included on the Authorised Lending List after additional assurance has been obtained. Aylesbury Vale District Council imposes the additional condition that no investment should exceed 182 days with a non-specified institution and that the maximum amount lent to any single institution should not exceed £3 million if the assets of the organisation are more than £1 billion and £1 million if its assets are more than £½ billion.

No more than 70% of the Council's total investments should be invested with building societies without credit ratings.

Where possible, Aylesbury Vale District Council will further seek to reduce counterparty risk by placing investments with other local authorities and nationalised institutions. As these are ultimately backed by either the government or through taxation these are deemed to offer higher security than that offered at present by the financial sector. This strategy is limited by the need for these organisations to be seeking funding which coincides with our need to lend.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £38,081,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Council and group					
	Amount at 31 March 2017	Historial experience of default	Historial experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure to default and uncollectability at 31 March 2017	Estimated maximum exposure at 31 March 2016	Estimated maximum exposure at 1 April 2015
	£000	%	%	£000	£000	£000
Counterparty Rating	A	B	C	(A*C)		
AA-	2,017	0.005	0.005	0.1	-	-
A	15,023	0.017	0.017	2.6	2.2	2.5
A-	3,009	0.012	0.012	0.4	-	1.4
BBB+	1,002	0.112	0.112	1.1	0.6	-
BBB	1,002	0.097	0.097	1.0	0.9	0.7
BBB-	4,007	0.050	0.050	2.0	0.2	2.3
BB+	-	-	-	-	12.5	5.8
B+	-	-	-	-	52.3	-
B	-	-	-	-	-	8.8
Other rated	12,021	-	-	-	-	12.5
Customers	5,901	5.000	5.000	295.1	253.0	144.0
	43,982			**302.3**	**321.7**	**178.0**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and customers.

The Council does not generally allow credit for customers, such that £4,824,000 of the £5,901,000 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2016 Council and group		31 March 2017 Council and group
£000		£000
670	Less than three months	1,966
917	Three to six months	467
888	Six months to one year	367
2,030	More than one year	2,041
4,505		**4,841**

40.2 Liquidity risk

The Council manages its liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice. In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Act 1992, which ensures sufficient monies are raised to cover the annual expenditure. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

40.3 Market risk

40.3.1 Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the (surplus)/deficit on the provision of services or other comprehensive income and expenditure lines and affect the general fund balance, subject to influences from government grants. Movements in the fair value of fixed rate investments will be reflected in the other comprehensive income and expenditure line.

The Council has strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, fixed rate investments may be taken for longer periods to secure better long term returns.

The treasury management team has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. According to this assessment strategy, at 31 March 2017, if interest rates had been either 0.25% higher or lower with all other variables held constant, the financial effect would be:

	Council and group
	£000
Increase in interest receivable on variable rate investments	1,380
Decrease in interest receivable on variable rate investments	(292)
Impact on surplus or deficit on the provision of services	**1,088**

40.3.2 Price risk

The Council does not invest in equity shares and is not exposed to losses arising from movements in the prices of the shares.

40.3.3 Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

40.4 Environmental risk

The Council has taken out a rolling 10 year environmental warranty to safeguard against the risk of contaminated land that was transferred to the Vale of Aylesbury Housing Trust as part of the stock transfer. The risk of having to make use of the warranty is minimal.

41. Contingent liabilities

A contingent liability is a potential liability which depends on the occurrence or non occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2017.

- NNDR appeals – The Council has made a provision for NNDR appeals based upon its best estimates of the actual liability as at the year end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

42. Contingent assets

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2017, the Council had no material contingent assets.

43. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government
Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 34. A review has been made of the Register of Members' Interests and of declarations of interests made by members during the year. In addition, members have been requested to sign a form declaring whether there were any related party transactions during the year. No works and services were commissioned from companies in which members had an interest. Details of any declarations are recorded in the Register of Members' Interests, which is open to public inspection at The Gateway Offices, Gatehouse Road during office hours.

Joint venture
The Council has a 50% interest in Aylesbury Vale Estates LLP. Relevant transactions are disclosed within note 16 (investments) and note 17 (long term debtors) to the balance sheet. The accounts of the joint venture have been consolidated with the overall Council accounts in the group financial statements.

Subsidiaries
The Council partly or wholly owns a number of companies, all of which have the common goal of producing overall benefits for the residents and businesses of the vale.

The companies in which the Council have an interest are set out in the following table:

Company Name	Council Share	Company Status	Purpose
Aylesbury Vale Estates LLP	50%	Joint Venture	Managing our commercial estate
Aylesbury Vale Broadband Ltd	95%	Subsidiary	Delivering broadband in our more rural areas
Vale Commerce Ltd	100%	Subsidiary	Delivering the commercial ambitions of the Council under the brands of Incgen and Limecart

The accounts of the subsidiaries have been consolidated with the overall Council accounts in the group financial statements.

Local enterprise partnerships
The Council is a member of both the South East Midlands LEP (SEMLEP) and the Buckinghamshire Thames Valley LEP (BTVLEP). This puts the Council in a strong position to influence economic growth and ensures there is LEP impact in the vale, benefiting the Council's communities. During the year, the Council made a contribution to SEMPLEP of £7,000.

Shared procurement partnership
The Council is in partnership with Improvement and Efficiency South East (IESE), a special purpose vehicle established to deliver savings through improved procurement. Each year the Council makes a contribution to IESE of £75,000.

Bucks Advantage
Bucks Advantage is the local delivery vehicle for the Vale, jointly owned by the Council and Buckinghamshire County Council, and covers the BTVLEP area. No contribution was made during the year, although the Council processes payments on their behalf for which it is reimbursed on a quarterly basis.

Aylesbury Vale Local Strategic Partnership
Aylesbury Vale Local Strategic Partnership focuses on those community engagement activities not actioned by other bodies. No contribution was made during the year.

Collection fund

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2015/16 Council tax	2015/16 NNDR	2015/16 Total		note	2016/17 Council tax	2016/17 NNDR	2016/17 Total
£000	£000	£000		note	£000	£000	£000
			Income				
(106,963)	-	(106,963)	Income from council tax	C2	(113,282)	-	(113,282)
-	(50,519)	(50,519)	Income collectable from business ratepayers	C3	-	(52,325)	(52,325)
(106,963)	**(50,519)**	**(157,482)**			**(113,282)**	**(52,325)**	**(165,607)**
			Expenditure				
			Precepts and demands				
75,756	-	75,756	• Buckinghamshire County Council		80,528	-	80,528
11,115	-	11,115	• Thames Valley Police Authority		11,588	-	11,588
3,975	-	3,975	• Bucks & Milton Keynes Fire Authority		4,144	-	4,144
14,469	-	14,469	• Aylesbury Vale District Council		15,455	-	15,455
			Business rates:				
-	24,183	24,183	• Payment to government	C3	-	25,355	25,355
-	4,837	4,837	• Payment to preceptors	C3	-	5,071	5,071
-	19,347	19,347	• Retained by Aylesbury Vale District Council	C3	-	20,492	20,492
-	227	227	• Cost of Collection		-	227	227
-	568	568	• Transitional Protection Payment		-	37	37
			Bad and doubtful debts				
(331)	127	(204)	• Write offs		(386)	74	(312)
634	-	634	• Increase in provision		879	-	879
-	288	288	• Provision for appeals		-	(2,368)	(2,368)
			Contributions				
2,552	-	2,552	• Towards previous year's surplus	C4	1,528	-	1,528
108,170	49,577	157,747			113,736	48,888	162,624
1,207	**(942)**	**265**	**(Surplus)/deficit for the year**		**454**	**(3,437)**	**(2,983)**
(2,844)	2,467	(377)	Accumulated (surplus)/deficit b/fwd		(1,637)	1,525	(112)
1,207	(942)	265	(Surplus)/deficit for the year		454	(3,437)	(2,983)
(1,637)	**1,525**	**(112)**	**Accumulated (surplus)/deficit c/fwd**		**(1,183)**	**(1,912)**	**(3,095)**

Notes to the collection fund

C1. General

The collection fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate collection fund. The statements shows the transactions of the billing authority in relation to the collection form taxpayers of council tax and national non-domestic rates (NNDR) and its distribution to local government bodies and the government.

The Council has a statutory requirement to operate a collection fund as a separate account to the general fund. The purpose of the collection fund therefore is to isolate the income and expenditure relating to council tax and NNDR. The administrative costs associated with the collection process are charged to the general fund.

Collection fund surpluses declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Aylesbury, the council tax precepting bodies are Buckinghamshire County Council (BCC), Thames Valley Police Authority (TVPA) and Buckinghamshire and Milton Keynes Fire and Rescue Authority (BMKFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

NNDR surpluses declared by the billing authority in relation to the collection fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by local authorities in England stipulates that a collection fund income and expenditure account is included in the Council's financial statements. The collection fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

C2. Calculation of council tax

Council tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A* - H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the Council for the forthcoming year and dividing this by the council tax base (i.e. the equivalent number of band D dwellings).

The council tax base for 2016/17 was 69,409 (2015/16: 67,902). The tax base was approved under delegated authority by the Cabinet Member for Resources and was calculated as follows:

2015/16				2016/17		
Number of chargeable homes less exemptions and discounts	Factor	Band D equivalents	Band	Number of chargeable homes less exemptions and discounts	Factor	Band D equivalents
7	5/9	4	A*	6	5/9	3
2,577	6/9	1,718	A	2,585	6/9	1,723
10,903	7/9	8,480	B	10,966	7/9	8,529
20,116	8/9	17,881	C	20,124	8/9	17,888
12,231	9/9	12,231	D	12,477	9/9	12,477
10,154	11/9	12,410	E	10,458	11/9	12,782
7,170	13/9	10,357	F	7,414	13/9	10,709
5,666	15/9	9,443	G	5,844	15/9	9,740
359	18/9	718	H	363	18/9	726
69,183		73,242		70,237		74,577
		(1,172)	Allowance for non-collection			(1,192)
		(4,168)	Council tax support scheme			(3,976)
		67,902	**Council tax base**			69,409
		98.3%	Collection rate assumed			98.3%

C3. Non-domestic rates

The Council collects national non-domestic rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by central government, which, in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses in their area but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectible rates due. Aylesbury Vale District Council's share is 40% with the remainder paid to our precepting bodies, central government 50%, BCC 9% and BMKFRA 1%.

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £25,355,000 to central government, £4,564,000 to BCC, £507,000 to BMKFRA and £20,284,000 to Aylesbury Vale District Council. These sums have been paid in 2016/17 and charged to the collection fund in the year.

When the scheme was introduced, central government set a baseline level for each authority identifying the expected level of retained business rates and a top-up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to central government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. In this respect, Aylesbury Vale District Council paid a tariff of £16,156,000 from the general fund in 2016/17.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2016/17 has been calculated as a credit of £2,368,000 (2014/15: £288,000).

The total non-domestic rateable value at 31 March 2017 was £132,466,388 (31 March 2016: £130,075,176). The national non-domestic rate multiplier for the year was 48.4p for small businesses (2015/16: 48.0p) and 49.7p for all other businesses (2015/16: 49.3p).

C4. Contribution to collection fund surpluses and deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2016 it was estimated that the collection fund would have a surplus of £1,528,000, which was payable during 2016/17

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF AYLESBURY VALE DISTRICT COUNCIL

Opinion on the Authority’s financial statements
We have audited the financial statements of Aylesbury Vale District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Aylesbury Vales District Council and Group Movement in Reserves Statement,
- Aylesbury Vale District Council and Group Comprehensive Income and Expenditure Statement,
- Aylesbury Vale District Council and Group Balance Sheet,
- Aylesbury Vale District Council and Group Cash Flow Statement,
- Related Notes to support the financial statements 1 to 43, and
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Aylesbury Vale District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Aylesbury Vale District Council and Aylesbury Vale District Council’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director and auditor
As explained more fully in the Statement of the Director’s Responsibilities set out on page 6, the Director with responsibility for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Aylesbury Vale District Council and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director with responsibility for Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the financial position of Aylesbury Vale District Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters
In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception
We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Aylesbury Vale District Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Aylesbury Vale District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Aylesbury Vale District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Aylesbury Vale District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Aylesbury Vale District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Aylesbury Vale District Council and Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
25 September 2017

The maintenance and integrity of the Aylesbury Vale District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accrual
Income and expenditure are shown in the accounts as sums due to and from the Council during the year when they are earned or incurred and not when the money is received or paid.

Budget
A budget is a financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

Capital expenditure
Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period or expenditure that adds value to an existing asset.

Capital programme
This is a financial summary of the capital projects that Aylesbury Vale District Council intends to carry out over a specified period of time.

Capital receipt
The proceeds from the sale of land or property. Capital receipts can be used to finance new capital expenditure but cannot be used to fund revenue expenditure.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy.

Collection fund
A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

Community assets
This is land and property that Aylesbury Vale District Council intends to hold forever. It generally has no determinable useful life and there is often a restriction regarding its sale.

Contingent liability
A sum due to be paid which may arise in the future but which cannot be determined in advance.

Council tax
This is one of the main sources of income to the Council. Council tax is levied on households within its area by the billing authority and the proceeds are paid into the collection fund for distribution to precepting authorities and for use by the billing authority's own general fund.

Creditor
This applies to money the Council owes to third parties for goods and services it has received but not paid for at the end of the accounting period.

Debtor
This applies to money that is owed to the Council from third parties for goods and services it has provided but not yet been paid for at the end of the accounting period.

Depreciation
This is a charge made to the revenue account each year that reflects the reduction in value of fixed assets used to deliver services.

Exceptional items
Material items which derive from events or transactions that fall within the normal activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Extraordinary items
Material items possessing a high degree of abnormality which derive from events or transactions that fall outside the normal activities of the Council and which are not expected to recur.

Finance lease
This is a lease, usually of buildings, which is treated as capital borrowing.

Fixed assets
Tangible assets that yield benefits to the Council and its services for a period of more than one year.

Government grants
Grants made by the central government towards either revenue or capital expenditure to help with the costs of providing services and capital projects. Some government grants have restrictions on how they may be used whilst others are general purpose.

Gross expenditure
The total cost of providing the Council's services before taking into account income from fees, charges and government grants.

Housing benefits
This is the national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

Impairment
This is a reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

Income
This is the money that the Council receives or expects to receive from any source; fees, charges, sales, grants and interest.

Infrastructure assets
Inalienable fixed assets, expenditure on which is recoverable only by continued use of the asset created e.g. pedestrianisation.

Intangible assets
These are non-financial fixed assets that do not have any physical substance but are identifiable and are controlled by the Council through custom or legal rights e.g. computer software.

Inventories
These are items of stores that the Council has bought to use on a continuing basis but has not yet used.

Liability
A liability arises when the Council owes money to others and it must be included in the financial statements. There are two types of liability:

- a current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or cash overdrawn.
- a deferred liability is a sum of money that will not be payable until some point after the next accounting period or is paid off over a number of accounting periods.

Local services support grant
A general grant paid by central government to local authorities as a contribution towards the cost of their services.

Long term investments
Long term investments are investments intended to be held for use on a continuing basis in the activities of the Council. They should be classified as long term only where an intention to hold the asset for longer than one year can be clearly demonstrated.

National non-domestic rate (NNDR)
A levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. NNDR is collected by Aylesbury Vale District Council on behalf of central government and paid into a national 'pool'. The 'pool' is then redistributed among all local authorities and police authorities on the basis of population.

Operating lease
This is a lease where ownership of the fixed asset remains with the lessor.

Property, plant and equipment assets
These are fixed assets owned by the Council and used or consumed in the direct delivery of services.

Precept
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council tax payers on their behalf. Precepts are paid from the collection fund.

Provision
This is a sum of money that has been put aside in the accounts for liabilities or losses that are due but where the amount due or timing of the payment is not known with any certainty.

Rateable value
The annual assumed rental value of a property that is used for business purposes.

Reserves
A reserve results from an accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

Revenue expenditure
The day to day expenses associated with the provision of services.

Revenue expenditure funded from capital under statue
This is capital expenditure that does not create an asset that belongs to the Council. The value is written off to revenue in the year. An example of this type of expenditure is an improvement grant to another organisation.

Useful life
This is the period over which an organisation will derive benefits from the use of a fixed asset.

AYLESBURY VALE DISTRICT COUNCIL

Aylesbury Vale District Council

Annual Governance Statement 2016/17

Introduction

The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.

Aylesbury Vale District Council (AVDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. AVDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

AVDC is responsible for putting in place proper arrangements for ensuring good corporate governance. These are embedded in the constitution, policies and procedures. We have not approved and adopted a separate single code of corporate governance. However the principles to which the Council operates are intended to be consistent with those contained in the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.

What is corporate governance?

Corporate Governance refers to "*the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*" (*The International Framework: Good Governance in the Public Sector; CIPFA/IFAC, 2014)*. The "International Framework" also states that:

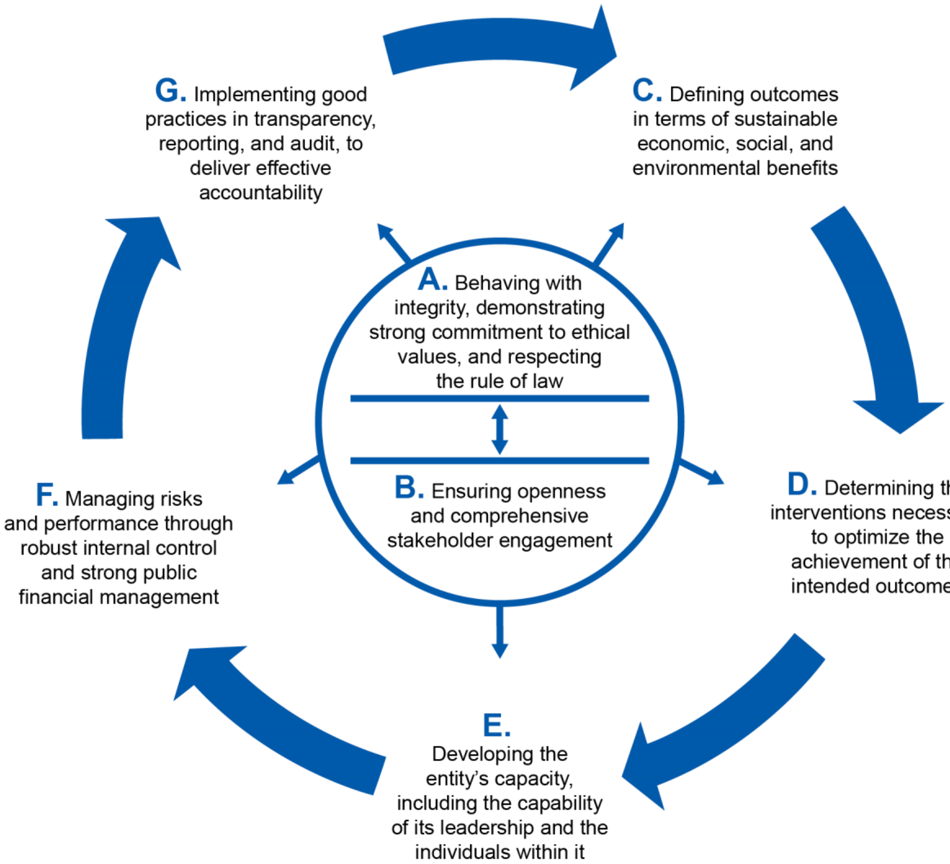
"To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders".

Our governance arrangements aim to ensure that we meet our objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The principles of good governance

The diagram below, taken from the International Framework, illustrates the various principles of good governance in the public sector and how they relate to each other. Both the Accounts and Audit Regulations 2015 and the national Code of Practice on Local Authority Accounting in the United Kingdom 2016 require that the Framework be adopted as 'proper practice'.

Our governance framework comprises the systems, processes, culture and values, by which AVDC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.



How do we know our arrangements are working?

Each year we (AVDC) review our corporate governance processes and systems and the overall compliance with the principles set out in the framework and publically report this in the Annual Governance Statement... The Annual Governance Statement provides a summary of the governance framework which has been in place for the year ending 31 March 2017 and up to the date of approval of the statement of accounts, and records any significant governance issues that need to be addressed over the coming year.

As we are continually changing and seeking improvement it is important that the governance arrangements are robust and flexible enough to manage change effectively and positively support our aims and objectives. We recognise that the governance framework cannot eliminate all risk and therefore only provides reasonable and not absolute assurance of effectiveness.

1 The Council: How it works

All councillors meet together as the council. Meetings are normally open to the public. The conduct of AVDC's business is defined by formal procedures and rules, which are set out in the constitution.

The constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Financial and Contract Procedure Rules and the Code of Conduct for Members.

Council

Consists of 59 elected councillors, covering 33 wards. The council appoints the Leader who in turn appoints the cabinet. Council holds the cabinet and committees to account. They decide the council's overall policies and set the budget each year.

Overview & Scrutiny

Four scrutiny committees, supporting the work of cabinet and council as a whole. They can hold inquiries in public into matters of local concern. These lead to reports and recommendations which advise the cabinet and the council on its policies, budget and service delivery. Scrutiny committees monitor the decisions of the cabinet. They can 'call-in' a decision which has been made by the cabinet but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the cabinet reconsider the decision. They may also be consulted by the cabinet or the council on upcoming decisions and the development of policy.

Leader & Cabinet

Cabinet is made up of a leader and 7 councillors, appointed for 4 years. The Leader is appointed by the council. The Leader then appoints a Deputy Leader and Cabinet Members.

The cabinet meets every month. Meetings are generally open to the public although some meetings or parts of meetings are held in private.

Cabinet's role is to develop, propose and implement policy. It guides the council in the preparation of its policy framework, including setting the budget and council tax levels. It discharges all executive functions not discharged either by a cabinet member or through delegation to officers.

Regulatory Committees

Strategic Development Management Committee

- To carry out the council's functions as local planning authority for large growth related developments.

Development Management Committee

- To carry out the council's functions as local planning authority for functions not falling under the remit of the Strategic Development Management Committee.

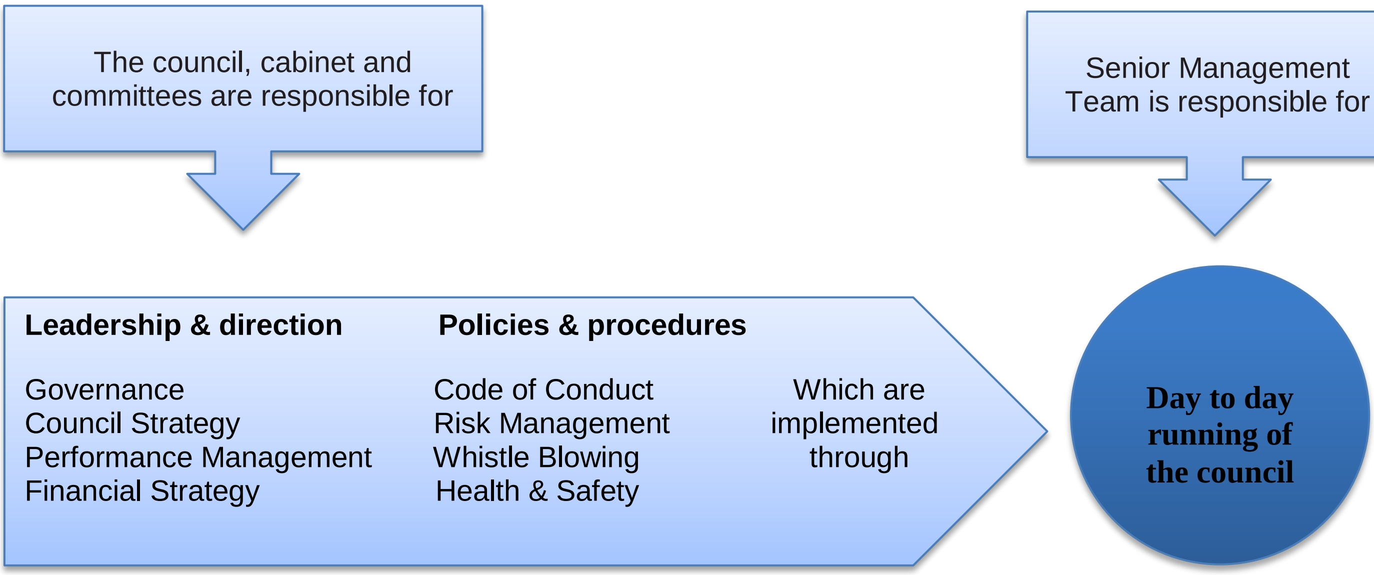
Licensing Committee

- To carry out the Council's nonexecutive functions relating to licensing and registration.

Audit Committee

- To provide independent assurance of the adequacy of the risk management framework and associated control environment, independent scrutiny of the authority's financial and non-financial performance, and to oversee the financial reporting process.

Chief Executive supported by **Senior Management Team** comprising 2 Directors, 5 Assistant Directors and the Digital Programme Director.



1.1 Constitution

The constitution is available on [our website]() and sets out how we operate, how decisions are made and the processes that are followed to ensure that decision making is efficient, transparent and accountable to local people. A number of the codes of practice and procedures within the constitution are required by law, whilst some are chosen to reflect best practice arrangements.

The constitution further sets out the role of key governance officers, including the statutory posts, and explains the role of these officers in ensuring that processes are in place to ensure that AVDC meets its statutory obligations and also for the provision of advice to councillors, officers and committees on staff management, financial, legal and ethical governance issues.

The statutory posts / roles are:

Head of Paid Service	Chief Executive
Chief Finance Officer (Section 151)	Corporate Director
Monitoring Officer	AVDC Monitoring Officer

The senior management structure within the council has seen some major changes over the last year and the constitution will need updating to reflect these changes, however the highest levels (Chief Executive and Directors) have remained stable during this time. The key governance officers have been involved in the preparation of this statement and are satisfied that the arrangements in place are working effectively and that no matters of significance have been omitted.

1.2 The standards of behaviour for members and staff

Member behaviours are governed by a code of conduct which is set out in the constitution. The code covers disclosable pecuniary interests as required by the Localism Act 2011 and also retains the requirements to disclose personal and prejudicial interests and to register gifts and hospitality received in a member's official capacity together with interests in outside bodies, charities and pressure groups. The code of conduct was adopted by full council in July 2012.

All members of the council have completed a register of their pecuniary and personal interests. Copies of guidance produced by the Department for Communities and Local Government on the revised code have been provided to every member and they have also received information from the Monitoring Officer highlighting the key aspects.

The constitution also includes protocols covering member/officer relations, member involvement in commercial transactions and a members planning code of good practice.

A code of conduct for employees was approved in 2013 in conjunction with trade unions and employee representatives. This covers all aspects of conduct at work from how to treat colleagues, to any conflicts of interest and deals with matters such as accepting gifts and hospitality.

2 AVDC's Vision

Our vision statement sets out what AVDC is working to achieve.

"To secure the economic, social and environmental wellbeing of the Vale"

To enable us to realise our vision, everyone at AVDC is working:

- To **enable essential infrastructure for growth and sustainability** of the area, be it physical or social
- To **ensure fair and speedy access to essential services** and their referral to partners
- To **provide a healthy and dynamic institution** for making effective decisions about the area, to which everyone can contribute
- To **stimulate, innovate and enable economic growth** of the area, its regeneration and the attraction of inward investment
- To **provide or commission services and products** that customers and businesses have agreed add value to their lives

AVDC's vision is the foundation for everything we do, across all services. By referring back to the vision statement, we can ensure that we continue to move in the same direction, adapting and growing, whilst keeping the wellbeing of our residents and businesses at the centre of everything AVDC does.

2.1 Engaging our stakeholders in the vision for the district

This is an important time for the district, which like many places across the country will see significant development over the next two decades. The developing Vale of Aylesbury Local Plan will shape Aylesbury Vale's future and when finalised, the Plan will manage and direct that growth up until 2033 in a way that will protect what makes the district a special place.

As well as over 28,000 new homes, the Plan will bring more employment, retail/leisure facilities, infrastructure and opportunity/investment, helping the district to thrive. Aylesbury and area will accommodate most of this growth and this is reflected in the Government awarding Aylesbury Garden Town status.

Every significant stage of the Plan has been subject to extensive public consultation and engagement with Parishes, surrounding districts, county councils, Local Economic Partnerships and central government. We are close to finalising the Plan and expect to get council sign off in October 2017, before submitting to government for independent examination in 2018.

2.2 Partnership working

We have been working in close partnership with the other district councils in Buckinghamshire on the Modernising Local Government agenda, submitting our proposal to the Secretary of State for Communities and Local Government in January 2017.

We also work closely with the other councils in Buckinghamshire on other issues, such as homelessness through the Connection Support Resilience Service.

2.3 Communication and consultation with the public and other stakeholders

Consulting effectively with local people and others who have an interest in the district is key to decision making within AVDC.

We use a wide range of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires to focus groups, depending on the target audience and the objectives of each consultation project.

A residents' phone survey was conducted in November and December 2016. 1006 residents representative of the range of people within the district gave feedback on how they felt about the local area they live in, attitudes towards recent changes by AVDC and opinions towards new ways of working and communicating. The survey showed a big majority are impressed by how AVDC runs things.

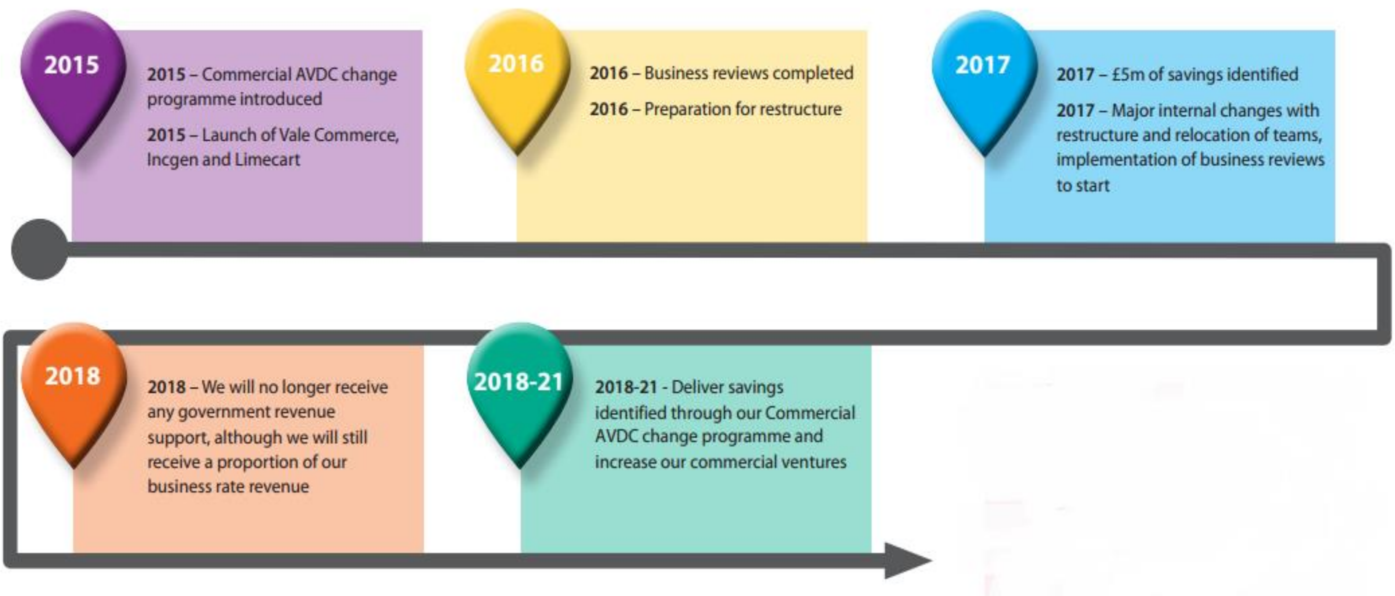
Regular communication channels include the residents' magazine delivered to all households, a proactive media relations programme (radio, TV, newspapers), parish and community noticeboards, poster sites and targeted literature. Social media including text messaging, Twitter, Facebook and web casting are being used proactively. We launched an eNewsletter in September 2016, and email residents monthly with news from around the Vale.

3 Commercial AVDC

Seven years ago we forecast that government grants would disappear by 2020 so started to remodel our budgets accordingly. We've been proved right and have saved £16m in that time, whilst losing 66% (two-thirds) of our government grant.

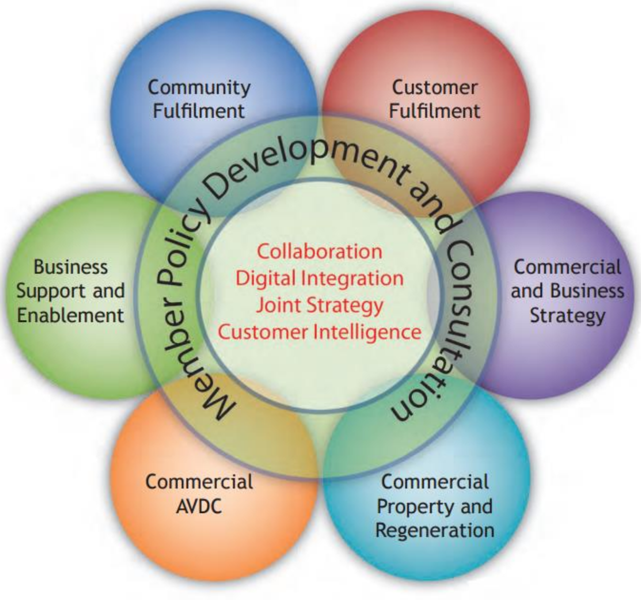
This has been achieved through both efficiencies and new income streams. We have identified the £5m of savings we needed to achieve in 2017 and AVDC is now moving forward to deliver these savings through the implementation of business reviews and increasing our commercial ventures. AVDC is becoming a more commercial organisation, providing the services that our customers and communities really want in a cost effective way.

In 2015 we launched our Commercial AVDC programme.



3.1 Transformation programme

Over the past year we have completely challenged and changed the way we work, removing the silos and changing to a customer focused, demand led structure rather than organised by departments. We now are organised into six areas, Customer Fulfilment (anything that interacts or provides services for the customer, planning, waste collection etc.), Commercial Property and Regeneration, Community Fulfilment (green spaces, community safety, strategy and partnerships), Business Support and Enablement, Commercial and Business Strategy and Commercial AVDC. This is a far-reaching and impactful change that is helping us transform into a new streamlined and efficient organisation.

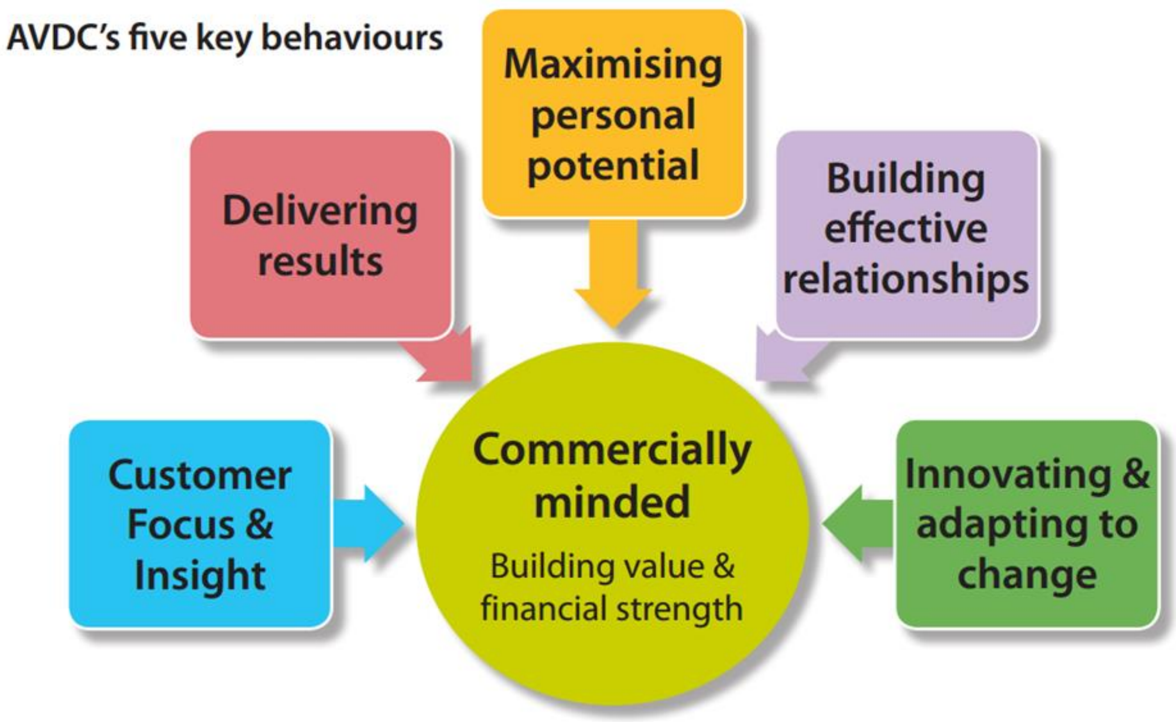


This diagram shows how AVDC will work with **collaboration, digital integration, joint strategy and customer intelligence** central to the organisation and driving AVDC forward.

To achieve our vision all our staff need to be more commercially focused. The Behaviour Framework was designed to provide a guide on how we need to work in order to deliver commercially viable products and services that are profitable and valued by the customer.

The framework was developed in close consultation with staff and Trade Union representatives. Focus groups were also carried out with staff to gather real examples of how they demonstrate the behaviours.

As part of the transformation programme, all staff have undergone a behavioural assessment, and any person applying for a role within the council either internally or externally is required to have undertaken an assessment.



3.2 Commercial companies

In December 2015 we registered Vale Commerce, a limited liability company wholly owned by Aylesbury Vale District Council which aims to:

- generate a substantial income stream for the Council.
- support improvement in the local economy
- help foster an enterprise management perspective within the Council
- showcase the Council's determination to become more self-sufficient

We are also starting a community interest company to grow enterprise and innovation within Aylesbury Vale and the surrounding areas. Budding local entrepreneurs will have access to training, incubation, developmental support and even investment.

During the spring of 2016, a guide to working with our wholly or partly owned companies was approved by Cabinet. This clearly sets out the working arrangements between AVDC and the companies in which it owns or holds shares, including for example, processes for company set up, how directors should be appointed and how council staff should work with the companies.

3.3 Connected Knowledge

In December 2016 we launched our Connected Knowledge - Technology Strategy 2017-2022, which sets out the vision and strategic aims we have for our future use of technology and data.

Connected Knowledge supports the strategic aims of AVDC as a whole. For that reason it is not simply an IT strategy. It is intended as a detailed narrative that describes how we will make full use of technology to meet our organisational aims, at the same time creating commercial opportunities so we can continue to thrive amidst increasing budgetary pressures.

The advances we made with our previous five year 'cloud' strategy (storing and accessing data and programmes over the internet rather than on local hard drives and servers) have created a strong foundation for the next five years, enabling us to think bigger and more creatively about the challenges and opportunities and how we are best positioned to benefit from them.

3.4 Medium term financial strategy

Considerable effort at Member and officer level has been directed at establishing a budget framework that covers future years and marries the need to identify efficiency savings and new income streams with corporate priorities. This work has delivered a balanced budget proposal for 2017/18.

General Fund revenue reserves and balances have been determined with full consideration of the risks identified. They are, therefore, deemed to represent a sufficient level of provision against the potential financial risk inherent within the Medium Term Financial Plan, provided the Council stays focused on delivering its targets.

Budget planning has been undertaken over an appropriate period of time and has allowed full understanding of the issues in an operational and financial context. Every effort has been made to include all Members in the financial planning process through the circulation of reports and associated information. Finance and Services Scrutiny has been invited to comment on initial proposals put forward for consideration by Cabinet and separately have had the opportunity to review the process for identifying savings. In addition, two Members' seminars dealing with budget planning issues were held. The views expressed during the scrutiny process have been fully considered by Cabinet.

Where material changes are proposed to service delivery in 2017/18, these were presented in separate reports, have been subject to scrutiny where required and the views of those impacted by those savings proposals have been taken into account. Consideration has been given to corporate priorities, residents' views and the Council's Risk Register in formulating the budget proposals.

The budget formulation process at officer level has been subject to on-going review which has tested the validity of pressures and deliverability of savings options in order to ensure that Members have been made aware of all aspects and implications of actions when formulating the budget proposals.

Beyond 2017/18 there is now greater certainty on the scale of resourcing and service challenges and a clear strategy exists for dealing with it. However, given the debate around local government structures, the future of local government funding and the extent of growth within the Vale the financial future for AVDC remains as complex as ever.

Historically, in facing resource uncertainty, AVDC has always faced up to its financial challenges and created bold and innovative solutions. These are not without risks, and the Council's risk appetite has needed to change and expand in the face of the greater challenges facing the sector, and against the backdrop of preserving core services this strategy is both warranted and justified.

Achievement of AVDC's strategy will require significant business transformation and a radical rethinking about what services the Council provides and the way in which they are provided. It is evident, via the Commercial AVDC programme, that considerable importance is being attached to this at both Member and senior officer level.

4 Developing capacity and capability

AVDC has a comprehensive training and development programme. Details of the programme are available to all staff and Members on the Intranet.

4.1 Members

An all party Member Development Steering Group is in place to oversee, monitor and help deliver learning and development for elected Members to meet individual and corporate needs and in particular planning, licensing and safeguarding.

4.2 Officers

AVDC has introduced a continuous improvement approach to performance review, which is supported by ongoing feedback, with a strong focus on individual and team development, aligned to the behaviour framework.

The new "REACH" approach is very flexible. It is expected that conversations will take the form of regular "check-ins" (at least 4 times a year) and that individuals and teams will seek feedback from colleagues, customers and managers which will help them to develop and improve what they do.

The new approach is being rolled out in phases and will be reviewed by the end of 2017, so that we can improve it as necessary.

The Council operates a joint coaching scheme with Buckinghamshire County Council (BCC). Staff can self nominate or be referred to the scheme by their managers; they are then able to choose a coach from BCC or AVDC. This has been well used over the last 12 months.

5 Managing risks and performance

We have in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of our objectives and service priorities. Responsibilities for managing individual risks are clearly allocated. Risks are regularly reviewed with the Commercial Board and the corporate risk register is reported to Audit Committee and Cabinet.
Following the restructure, sector level risks are being reviewed further reviewed and it is anticipated that arrangements for regular monitoring and reporting will be embedded during 2017/18.

Performance management through regular review and reporting of real-time management information against corporate targets will be further developed during 2017/18. Enhanced use of technology platforms is being embraced to ensure accurate, reliable information is available to inform decisions.

4.1 Compliance with relevant laws and regulations, internal policies and procedures

We ensure compliance with established policies, procedures, laws and regulations through a range of measures, including:

- Awareness, understanding and training carried out by internal officers and external experts
- The drawing up and circulation of guidance and advice on key procedures, policies and practices
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Director with responsibility for Finance) and the Monitoring Officer

Our policies and procedures are reviewed and updated to respond to changes in legislation or enhancements in best practice working. For example, the Financial Regulations and Financial Procedures were fully reviewed and revised in April 2016 to ensure alignment to best practice financial controls and to reflect changes following the implementation of the new finance system in 2015.

Our current Contract Procedure Rules and Procurement Code of Practice came into effect in June 2016. These documents provide the governance structure we follow to procure goods, services and works and ensure that we are:

- Procuring in a transparent, fair, proportionate way and applying equal treatment throughout the process
- Getting value for money
- Delivering contracts efficiently and effectively
- Not exposed to unnecessary risk or challenge
- Complying with legislation

The Corporate Governance Manager develops a risk based annual audit plan which includes consideration of compliance across all areas of AVDC. Reports are produced for management, recommendations for improvements agreed and implementation monitored through to completion. Internal and external audit updates and reviews are reported to the Audit Committee.

Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to AVDC where, in his opinion, a proposal, decision or omission by AVDC, its members or officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2016/17.
The Section 151 officer also has a legal responsibility to issue formal reports if they have particular concerns about the financial arrangements or situation of the council. No such formal reports have been issued during the 2016/17 financial year.

4.2 Whistle-blowing and complaints procedures

The Whistleblowing Policy and reporting procedures are available on our website. This forms part of the Anti Fraud and Corruption Strategy. There have been no whistle-blowing reports in 2016/17.

There has been no use of the Regulation of Investigatory Powers Act during 2016/17. There was an Inspection Report by the Office of the Surveillance Commissioner (Dated 9th June 2016) which recommended that the council revise its RIPA (Regulation of Investigatory Powers Act 2000) Policy document with some minor amendments. These amendments have been made and were purely for clarification and updating purposes. There was no criticism of the council and the arrangements were considered satisfactory. The next inspection is due in 2019.

We have a Customer Comment, Compliments and Complaints Policy which includes a public document explaining the process. There are also detailed procedures for staff who are dealing with a complaint. All staff are required to complete the Customer Comment, Compliments and Complaints e-learning module.

The Standards Committee considers any complaints made against members relating to breaches of the code of conduct. Details of how to make a complaint and the committee's procedure for dealing with member complaints are available on our website and hard copies of a complaints leaflet have been distributed to information points throughout the District. There were no complaints against councillors which led to a full investigation in 2016/17. There were a total of fourteen (14) councillor Code of Conduct Complaints that did not proceed beyond Stage 2 Initial Assessment (of the 14 councillors 4 were district councillors and 10 were parish councillors).

4.3 Anti fraud and corruption

The Corporate Governance Manager and the Director responsible for Finance are responsible for developing and maintaining AVDC's anti-fraud and corruption strategies. In 2015/16 a benchmarking assessment was performed against CIPFA's 'Code of Practice on managing the risk of fraud and corruption' and an action plan was developed to further strengthen governance and operational arrangements in place to counter fraud and corruption.

4.4 Information governance

Information governance is overseen by the Information Governance Group (IGG) which is chaired by the Director with responsibility for Finance who fulfils the role of Senior Information Risk Owner (SIRO). The Assistant Director for Commercial and Business Strategy is the Data Protection Officer. The IGG's membership and terms of reference was revised in 2016/17 along with best practice and the new organisational structure.

In July 2017 a new Information Management Strategy was approved which provides a foundation to help AVDC continually improve by promoting better and more creative management of information, encouraging appropriate sharing and transparency, while ensuring data security and compliance with data protection legislation. The strategy outlines principles which the Council will adopt through the development and implementation of supporting policies and standards. It also highlights impending legislation changes, which will have a significant impact on how AVDC information is managed, and includes a roadmap for the coming years.

6 Review of effectiveness

AVDC has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within AVDC who have responsibility for the development and maintenance of the governance environment, the Corporate Governance Manager's (Head of Internal Audit) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
The governance framework enables us to identify any areas of our activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk. The annual review of effectiveness has considered the following areas:

- the authority
- the executive
- the audit committee / finance and scrutiny committees
- the standards committee
- Internal audit
- Chief Financial Officer
- Other explicit review/assurance mechanisms

5.1 Internal audit

Our internal audit operates under regulation 6 of the Accounts and Audit Regulations and in accordance with the CIPFA Public Sector Internal Audit Standards.

The Head of Internal Audit (Corporate Governance Manager) is required to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the Council's system of internal control).

This is achieved through the completion of a risk-based plan of work, agreed with management and approved by the Audit Committee, which is designed to provide a reasonable level of assurance. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
Where recommendations for the improvement of controls or systems are made at the end of an internal audit review, these are agreed with the responsible managers together with details of the required action and an expected date for implementation. Any concerns regarding overdue actions are reported to the Audit Committee as part of the regular progress reports.

Based on the results of the work undertaken during the year, the Head of Internal Audit's overall opinion is that governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some weaknesses in the framework of governance, risk management and control which potentially put the achievement of AVDC's objectives at risk. Improvements are required in those areas to enhance the adequacy and effectiveness of governance, risk management and control. Further details are provided below.

7 Significant governance issues and action plan

Financial control

In 2015/16 internal audit highlighted a number of weaknesses relating to the design of financial controls and processes and the way they were operating within the new financial system. Improvements have been made during the year in some key financial systems (Accounts Payable, General Ledger, Budget Management) to strengthen the overall control environment.

Improvements are still required in a number of areas. High risk reports were issued for Accounts Receivable and Housing Benefits.

Accounts Receivable

There has been a lack of corporate and local oversight of the debt held in each service area and irregular monitoring of the age profile of debt. There are no corporate performance indicators to identify areas which are performing less well in their debt management to allow more effective corrective action to be taken. There is also a lack of clarity over the roles and responsibilities regarding responsibility for debt management. The Council recognises these challenges and in November 2016 set up a Corporate Debt Project to address the issues and improve debt management processes.

Through the work of the Debt Project, issues have been identified between the system interfaces and manual processes that ensure information on housing benefit overpayment debt is consistent and reconciled between the finance system (TechOne) and benefits system (Northgate). During June/July 2017 the project team has been working to reconcile the two systems and clear any discrepancies. At the time of concluding this report all electronic matching and sorting has been completed on the data from both systems. The task in progress is to work though manually each unmatched item and investigate both systems to correct the difference.

Work is also progressing with the software providers to address the underlying issue around the interface between TechOne and Northgate. In the mean time, dedicated resource has been identified to ensure manual processes will operate effectively to maintain ongoing updates and accuracy.

This will not result in a material adjustment to the reported debt figures.

Housing Benefits
The structure of the benefits administration team changed significantly as a result of the Commercial AVDC restructure. Internal audit reported inadequacies in both the current structure and the knowledge and experience of the staff. Quality checks have been performed inconsistently and there has been inadequate follow-up of outcomes from quality checks during the year. In addition, there has been a lack of performance monitoring and reporting of key housing benefit metrics.

Since issuing the internal audit report action has been taken to address these issues.

Management information

A number of internal audit reports have highlighted inadequacies in the level of management information, both at a corporate and service level to enable effective monitoring and oversight of both financial and non-financial performance, and inform decisions. This issue has been highlighted on the corporate risk register. The restructure has created two new posts to support enhanced Business Intelligence across the Council and investment has been made in software to enable data extraction and reporting across all the systems. This is an area of focus during 2017/18.

8 Approval of the Annual Governance Statement

This statement explains how AVDC has complied with the principles of corporate governance and also meets the requirements of regulations 4(2) and 4(3) of the Accounts and Audit Regulations, which requires all relevant bodies to prepare an annual governance statement in accordance with proper practices in relation to internal control.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and plan to address weaknesses and ensure continuous improvement of the systems in place.

Signed:………………………………………………………………………………
Leader

Signed:………………………………………………………………………………
Chief Executive

On behalf of Aylesbury Vale District Council